SOLUTION OVERVIEW - TAX

PPM: 25988 – Argentina Perception Tax

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Document Control

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Project Summary

Argentina Perception Tax

In Argentina, as per the law, customers are liable for gross income perception tax if they satisfy the following conditions:

- The customer is listed in the Padron/Customer listing (tax file/legajo impositivo) and
- The unit price of an item or sum of vendor invoices has exceeded a threshold amount.

Perceptions is a tax paid at the provincial level. Each province has its own regulations, and thus can have a different set of rates, taxable amounts, thresholds, and calculation formulas.

The government of each province publishes a monthly taxpayer listing (Padron) with the tax rates applicable for each taxpayer.

Taxpayers recognized by the provincial tax authority as Perceptions Agents, will charge perceptions tax to customers for that province when said customers appear in the government's taxpayer listings. The same taxpayer can be agent in multiple provinces, up to 24 in total.

In Argentina and according to the legislation, ORCL AR has been assigned as Perception Agent in 9 jurisdictions.

Oracle is currently a Perception agent in 9 provinces:

- ARBA
- Santa Fe
- Misiones
- CABA
- San Luis
- Neuquen
- Corrientes
- Salta
- Tucuman

Project Scope & Methodology

Scope:
The scope of this project is limited to:
1. Perception tax required by the tax authorities of the nine provinces where Oracle Argentina is already assigned as a perception tax agent: ARBA, Santa Fe, Misiones, CABA, San Luis, Neuquen, Corrientes, Salta & Tucuman.

2. Customer invoices generated from Oracles Fusion Receivables system (hosted on EEHO) and Fusion Order Management feeder systems that call the Tax Calculation webservice, such as quoting (CPQ).

3. The project does not include cleaning up customer data. In particular, the CUIT (Taxpayer ID + Validation Digit) needs to be correct at Party level for the correct Perception tax to be associated with a Party.

Assumptions:

1. The source of truth for the Perception taxes will be the government Padron files. For provinces where there is no Padron, customer provides their status to collections team (tax file), who creates a customer listing.
2. Tax business (NIBT) is the owner of all Perception tax data and calculation logic in the system and responsible for its regular maintenance.
3. Therefore, if legislation changes result in the need for updates in the system setup, NIBT team will raise request to OAL Tax team with the change requirements and OAL Tax will evaluate and update the system.
4. AR business owns the maintenance of mappings of the Perception tax rates with Edicom.
5. Solution intends to leverage file uploads and webservices provided by Tax PD to update the Party Fiscal Classification Codes. This requires approval from both CDM, Tax business and CSSAP as needed.
6. Customers need to be setup with the correct CUIT (Taxpayer ID + Validation Digit) at party level for the solution to work. Tax PMO should contact CDM to fix any customer with incorrect CUIT.
7. Customer updates will be incremental in time, i.e., upload of a Padron from a period before the current setup is not allowed.

Methodology:

This project is divided into two phases:

Phase 1: The objective is to make sure all appropriate taxes for the 9 provinces are applied to the transactions, hence ensuring compliance and reduce customer disputes and resulting CMRBs.

Diagrammatic representation for Phase 1
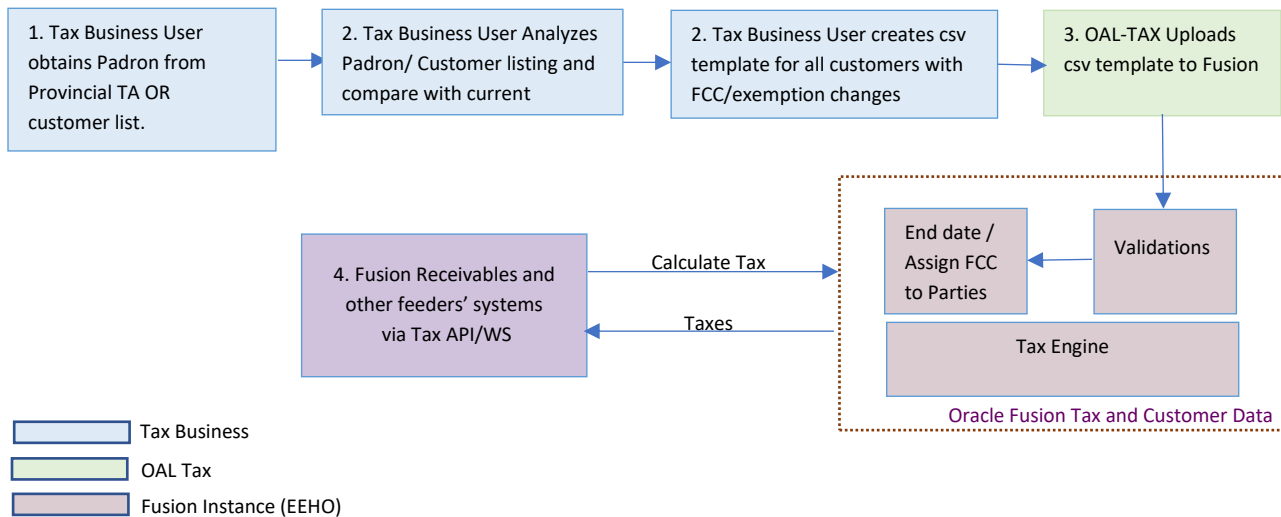
High level process flow diagram

- Tax calculation will be based on Fiscal Classification Code (FCC) setup at party level. [1]
- Steps:
    1. Tax Business User (designated NIBT person) obtains Padron from Provincial TA OR customer list.
    2. A spreadsheet template needs to be filled by Tax business (NIBT) with the applicable FCC value. To fill that template, an analysis / comparison needs to be done between the actual setup and the required setup according to the Padron/Customer listing.
    3. OAL will help upload this template which in turn will automatically assign/update FCC values at party level.
    4. Standard Fusion functionality will be leveraged to Validate and assigned to correct FCC to parties.
    5. Oracle Fusion Receivables and feeder systems will receive the calculated perception tax by calling the Tax API or Webservice

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[1] The same approach is used by the Latin America Cloud Local Solution for Argentina (Doc ID 2622019.1)

Phase 2: Automation of Phase 1 solution. The objective is to make the process more efficient and productive for both Tax business and OAL. Customer FCC setup process will be automated based on the files released by Argentina Tax authorities.

Diagrammatic representation for Phase 2
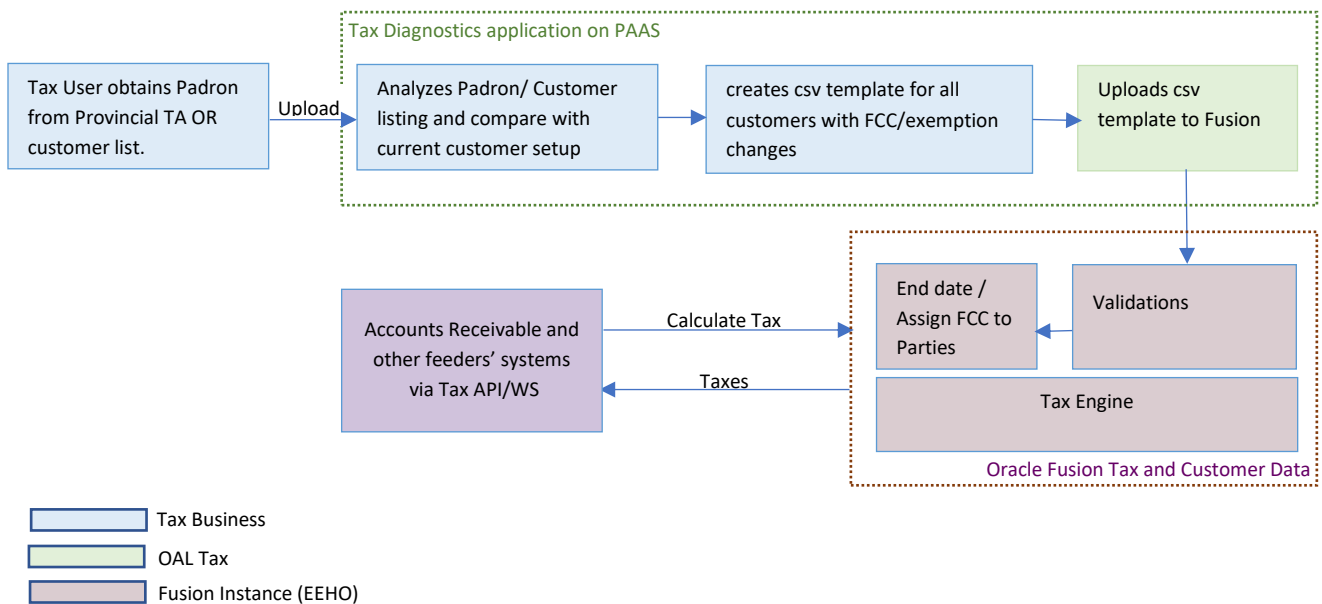
High level process flow diagram

Functional Design

The solution is based on the following standard and custom components hosted either on the Cloud ERP instance or its corresponding PAAS instance

1) Customer Attributes – Party Fiscal classifications, Exemptions, etc.
2) OAL built custom tool to upload changes in customer attributes.
3) Fusion Tax engine configurations and logic.
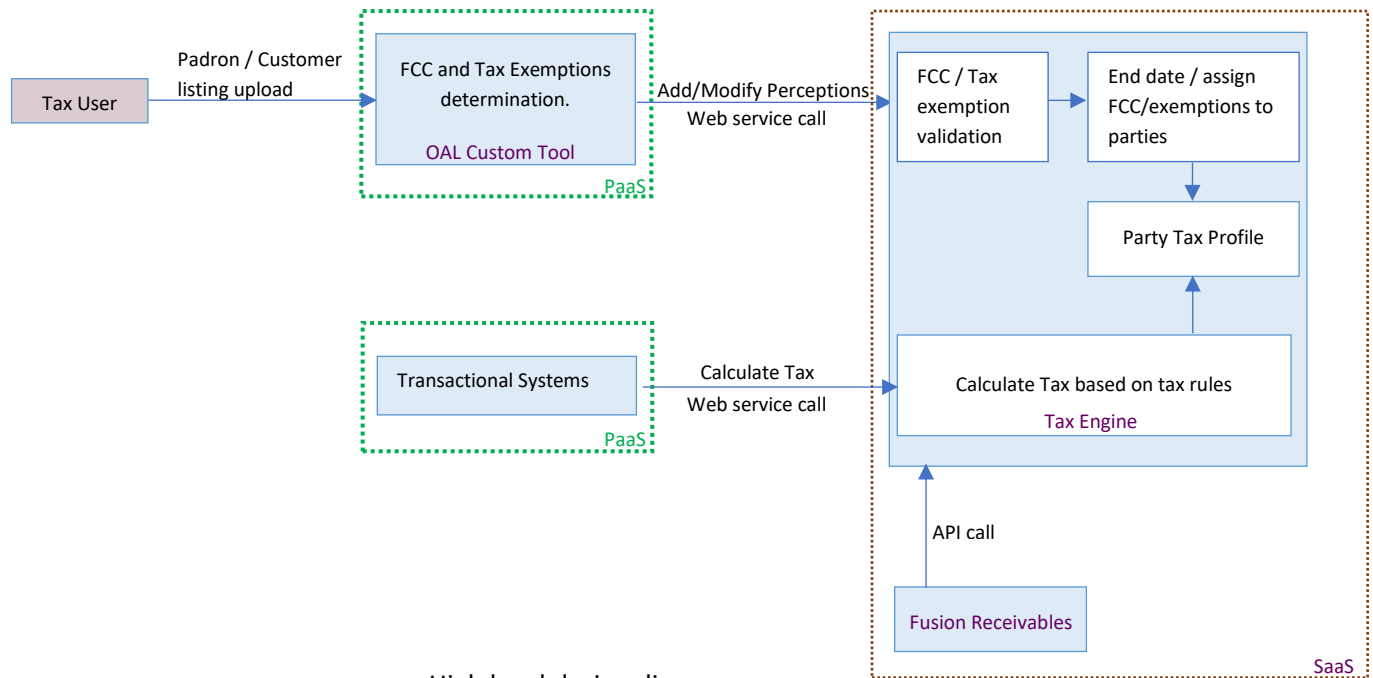
High level design diagram

Customer Attributes

Fiscal Classification Codes

To be able calculate the correct tax for each customer, 9 new Party Fiscal Classification Types will be created, one for each province:

Province	Fiscal Classification Type Code
ARBA	ORCL_AR_AR_PERCEP_TOP**BA**_CODE
Santa Fe	ORCL_AR_AR_PERCEP_TOP**SF**_CODE
Misiones	ORCL_AR_AR_PERCEP_TOP**MI**_CODE
CABA	ORCL_AR_AR_PERCEP_TOP**CA**_CODE
San Luis	ORCL_AR_AR_PERCEP_TOP**SL**_CODE
Neuquen	ORCL_AR_AR_PERCEP_TOP**NQ**_CODE
Corrientes	ORCL_AR_AR_PERCEP_TOP**CO**_CODE
Salta	ORCL_AR_AR_PERCEP_TOP**SA**_CODE
Tucuman	ORCL_AR_AR_PERCEP_TOP**TU**_CODE

The list of distinct Fiscal Classification Codes (FCC) and Tax Rates to be setup initially in both UAT and Production for each FCC type/Province is listed in the following document:

2023_08_16_List of
New FCCs and tax ra

More FCCs might get added to this list every month, depending on the Taxpayers listing published by the tax authorities.

Assignment of Fiscal Classification Codes to Customers

Tax Rate

The FCCs will be associated to each customer at party level since the taxpayer ID / CUIT is unique at party level, regardless of the numbers of sites that same taxpayer has.

Each customer can have multiple different Perceptions FCCs. Example:

The FCC will be associated to the parties with a mass upload using a csv template.

The rate associated to a customer can change every month. When this happens, the FCC associated will be end dated and a new one will be created with the updated rate:

Organization Information

* Name	BODEGA DEL DESIEF	Fusion Party ID	300008246293459
Registry ID	A3ZBNQD	Oracle Customer Type	
DUNS Number		GTM Compliance Hold Flag	▼
Taxpayer Identification Number	3070857878	Billing Compliance	
Quarantine Flag	BODEGA DE ▼	No Tax Reason Code	
Fusion Registry ID	A3ZBNQD	MISHZ_BVD_ID	

Relationships   **Tax Profile**   Profile History

Controls and Defaults   Tax Registrations   Tax Exemptions   **Classifications**   Tax Reporting Codes   Withholding Tax Registrations

View ▼   Format ▼   ➕   ✏️   ▦ Freeze   🗗 Detach   ⬚ Wrap

* Fiscal Classification Type Code	Fiscal Classification Type Name	* Fiscal Classification Code	Fiscal Classification Name	* Start Date	End Date
ORCL_AR_AR_PERCEP_TOPBA_CODE	ORCL_AR_AR_PERCEP_TOPBA_CODE	AR_TOPBA_DOM_0.05	AR_TOPBA_DOM_0.05 MEAN	11/1/22	2/28/23 📅
ORCL_AR_AR_PERCEP_TOPBA_CODE	ORCL_AR_AR_PERCEP_TOPBA_CODE	AR_TOPBA_DOM_0.70	AR_TOPBA_DOM_0.70 MEAN	3/1/23	m/d/yy 📅

Party Exemptions

For Santa Fe and Tucuman, discount exemptions will be created at party level.

A discount exemption of x% for a tax amount t_0 will result in:

tax amount after discount = $t_1 = t_0 * (1 - x/100)$.

The exemptions will be associated to the parties with a mass upload using a csv template.

Relationships   **Tax Profile**   Profile History

Controls and Defaults   Tax Registrations   **Tax Exemptions**   Classifications   Tax Reporting Codes   Withholding Tax Registrations

View ▼   Format ▼   ➕   ▤   ✏️   🗐   ✎ | View Exemption Details | 🖅   ▦ Freeze   🗗 Detach   ⬚ Wrap   Effective As-of Date   m/d/yy 📅   ➕ |

	Tax Regime	Configuration Owner	Tax	Tax Status	Tax Rate Code	Tax Jurisdiction	Item	Start Date	End Date	Certificate Number	Exemption Rate Type	Exemption Percentage
	AR-TAX	ORCL AR	AR-TOPTU-AR					3/1/23			Discount or surcharge	95.85

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Tax Logic

- Tax rules will be setup according to the information provided by NIBT team in excel format.

- Tax rules will be setup to review the **Bill-to** FCC at party level and will apply one tax line for each applicable provincial tax.

Example dev3 invoice: A-0003-00065725
Customer account number: 14789356

- In the following Provinces tax is applicable only for **Goods**.

    - Santa Fe

    - San Luis

        - Additionally, for San Luis, tax is only applicable if **Ship-to** site is in San Luis

- To be considered Goods, an item must have:

    - Item category = PFCT_GOODS = HW MFG or HARDWARE, or

    - User item type = FRT

Example dev3 invoice: A-0003-00065726
Customer account number: 16040511

- Tax thresholds will be setup for the following provinces so that Perception tax is applied only if the invoice gross amount is greater or equal to the Threshold value.

Province	Threshold
ARBA	2,000 ARS
Santa Fe	5,200 ARS
San Luis	300 ARS
Neuquen	2,000 ARS
Corrientes	500 ARS

Example dev3 invoice: A-0003-00065724

ARBA and Neuquen thresholds of 2000 ARS are not met, and the tax gets exempted:

- Tax exemptions will be setup in Tucuman and they will be applied to the invoice as follows. For a coefficient of 0.0366, the customer will have a discount of 1-coefficient = 96.34:

Example dev3 invoice: A-0003-00065727
Customer account number: 13814164

Discount calculation details:

Rate	0.75
Coefficient	0.0366
Discount	96.34
Base	1000
Tax amount before discount	7.5
Tax amount after discount	7.5-(96.34/100*7.5) = 0.2745 = 7.5*.0366

- Tax Basis can be updated in Santa Fe depending on the Customer Listing.
  A 50% exemption will be created for customers with a 50% Tax Base requirement.

- Example dev3 invoice: 16742901

Known constraints and expected challenges post go-live

1. Current implementation of Perception tax for Oracle Argentina is applying only 1 perception tax line per invoice line. After go-live, up to 9 tax perception lines per invoice line could be applied, causing an increase in tax retained from customers included in more than one Taxpayers listings / Padrones. Therefore, communication between Collections AR and customers, and between Tax Business and CPQ business teams will be crucial to prevent customer in satisfaction.

2. Sample invoice from EEHO: A-0003-00065974

3. To keep the correct tax rates applied to all invoices, Tax business (NIBT) will own the process of uploading the Padron or Customer Listing. This will be monthly for Provinces that have a Padron and periodically for provinces that have a customer listing.

4. Timing: Perception tax uploads will be done monthly by NIBT team.