

IES BUSINESS: ACCOUNTING CONTROLS: WITHHOLDING TAX IMPLEMENTATION

Introduction

Withholding Tax options are available in IES Business, and are easy to implement. The purpose of this Document is to describe the required steps for processing Withholding Tax seamlessly in IES.

Specify the Settings

Some initial settings are required for Withholding Tax, and these are specified at Accounting Controls, File Maintenance, Various Accounting Parameters.

Withholding Tax

Prompt Withholding Tax on AP Invoices

Number W/Tax: **3: Sequential, by Payment**

- 1: Not Used
- 2: Capture, by Payment
- 3: Sequential, by Payment
- 4: Cust.wtaxcert.no, by Payment
- 5: Cust.wtaxcert.no, by Invoice

Please check this field to use Withholding Tax options on Supplier Invoices.

Withholding Tax

Prompt Withholding Tax on AP Invoices

Number W/Tax: **3: Sequential, by Payment**

Calc W / Tax: **B: Wat Exclusive**

Please select the appropriate Calculation type, i.e. VAT Inclusive or Exclusive (see on-line help)


Withholding Tax can be used with Suppliers, i.e. where we 'withhold' the Tax in favor of the Taxman, and also with Receivables, i.e. where Tax has been withheld by our Customers when they pay us.

In order to use Withholding Tax options on Supplier Invoices, you must check the "prompt" field shown above.

Withholding Tax can be used on Supplier Invoices without necessarily managing Tax Certificates as such, in which you may select "1: Not Used" as seen above. However, if Tax Certificates are issued to Suppliers to accompany payment, and these need to be numbered and managed, then it is necessary to select one of the other options offered.

: Capture, by Payment –
Select this option to capture each Tax Certificate number that is issued, 1 per Payment to the Supplier.

: Sequential, by Payment –

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Select this option if it is in order for the system to automatically issue and number the Tax Certificates on a sequential number basis.

: Cust.wtaxcert.no, by Payment –

Select this option to apply custom business rules for numbering the Tax Certificates. In this case, the program "cust.wtaxcert.no" is called when a Tax Certificate number is required, and this program applies your business rules and issues the appropriate number.

: Cust.wtaxcert.no, by Invoice –

Same as the previous option, except that a separate number is issued for each Invoice, rather than for each Payment. In other words, if a Payment to a Supplier includes 3 Invoices, then there will be (in this case) 3 Tax Certificates, each with it's own number.


Note: The program "cust.wtaxcert.no" is found in file "client.bp" in any new IES Business release. The program can be copied to the local "client.bp" and then modified and re-compiled.

Withholding Tax Types

The remaining step required for Withholding Tax options to be used is that of defining the necessary Withholding Tax Types. This option is found at Accounting Controls, Tax Management, Define Withholding Tax Types.



Each Withholding Tax Type requires a Ledger Account to process the Withholding Tax to. The return to the Taxman, if required, is the sum of the entries posted to the various (if multiple) Withholding Tax Accounts. Note: Accounts used for Withholding Tax should be protected with the Ledger Protection options to prevent Users from posting other Journals to those accounts – the system will automatically generate and post the withholding tax without User intervention.

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Define Withholding Tax Types [1] ((ENG))

Tax Code:

Withholding Tax Type Definition

Tax Type Description:

Tax Account:

Last Updated:

By:

Notes:

% Rate Application

	From Date	Rate To Use
1	01/01/2001	0.00

By default, the system always has a "Zero Withholding Tax" object. You cannot change, delete or otherwise modify this object. It is required in order to be able to process Supplier Invoices that are not subject to Withholding Tax.

Hint: When you do not use Withholding Tax options at all, then Supplier Invoices in IES, when opened, do not include any indication of Withholding Tax whatsoever. However, when you elect to use Withholding Tax, then the Invoice screens automatically include a field where a Withholding Tax Type MUST be selected. Therefore, you need a Zero tax object so that it may be selected for Invoices that do not attract any Withholding Tax.

The Zero tax object does NOT include any Ledger account, since when it is selected, no Withholding Tax will be processed on the Invoice.

The remainder of the Withholding Tax objects are defined according to your needs, and you can have as many as you like.

Define Withholding Tax Types [1] ((ENG))

Tax Code:

Withholding Tax Type Definition

Tax Type Description:

Tax Account:

Last Updated:

By:

Notes:

% Rate Application

	From Date	Rate To Use
1	01/01/2001	5.00

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A Withholding Tax type is coded with a short key, and includes a useful Description to identify it by (especially when Users use the lookup to select the correct type for an Invoice!).

The system automatically manages an audit record of all changes to the Tax objects, and although a minimum of 1 Rate (% to apply) is required, with a start date at least as early as the 1st Transaction in IES (!), it is also possible to introduce multiple new rates on the same object (as for standard Tax objects, e.g. VAT, GST, CGT, etc.) for any later dates, as may be applicable.

A Withholding Tax object may be 'closed' when it may no longer be used on further (new) Invoices, but it cannot be removed or deleted, since the system will hang on to it in order to interpret the history already in the system.

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