Tax Code

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1. Tax code: from the SAP help portal

1. About the tax code

Tax code is used to perform automatic calculation in accordance with the tax system of the individual countries, as well as to identify data.

2. How to use the tax code

Enter the code as the line item of the document.

3. Rounding rule

With SAP ERP, three functions, i.e., round-down, round-up, and round-off, are available for use.

Round-off is used as the RM standard definition.

4. Calculation logic

The tax-inclusive value is treated as the tax-exclusive value, and calculated assuming that it is the net amount.
The rounding rule is determined based on the parameters set for the individual countries.

[Caution]
Misunderstanding is likely to occur if rounding is performed in the same manner as it is done on the paper.
The rounded tax amount obtained from calculation performed on paper may differ from the tax amount calculated by SAP ERP by one currency unit (1 yen).
Tax calculation on paper lack accuracy for the following two reasons:

a) In order to perform accurate calculation of tax, it is necessary that the instructions given by the tax authorities of the individual countries be followed and the tax be calculated based on the basic taxable amount. Both the basic taxable amount and the calculated tax amount are important in calculating the taxes on sales for down payment.
However, the calculated tax-inclusive value may not be valid.

b) Considering the fact that calculation is performed based on the basic taxable amount, certain tax-inclusive values may not actually exist.
You may receive an invoice that seems to contain an "incorrect" tax-inclusive value.
The SAP ERP splits the tax-inclusive value into the tax-exclusive value and tax amount as follows:

Ex) Japan's tax rate: 5%, rounding rule: round-down
Tax-inclusive value of ¥10,722 cannot be divided into tax-exclusive value and tax. Does this mean that the amount shown in the invoice cannot possibly be generated?
Tax-exclusive value: ¥10,259 >> rounded tax amount: ¥512.95 = ¥512 << NG (Basic taxable amount: ¥10,259 + tax: ¥512 = ¥10,771 <> ¥10,772)
Tax-exclusive value: ¥10,260 >> rounded tax amount: ¥513.00 = ¥513 << NG (Basic taxable amount: ¥10,260 + tax: ¥513 = ¥10,773 <> ¥10,772)
Conclusion: There is no such thing as a "correct" combination of a tax-exclusive value and tax for a specific tax-inclusive value.

2. List of tax codes 1/2

Tax code	Name	Calculation formula
A0	Tax free - purchase	
A5	Tax - purchase 5%	Amount * 5 / 105
A8	Tax - purchase 8%	Amount * 8 / 108
AA	Tax - purchase 10%	Amount * 10 / 110
B5	Tax - purchase 5% for tax free sales	Amount * 5 / 105
B8	Tax - purchase 8% for tax free sales	Amount * 8 / 108
BA	Tax - purchase 10% for tax free sales	Amount * 10 / 110
C5	Tax - purchase 5%	Amount * 5 / 105
C8	Tax - purchase 8%	Amount * 8 / 108
CA	Tax - purchase 10%	Amount * 10 / 110
E8	Tax - Purchase taxable sales only Reduced tax8%	
F8	Tax - Purchases non-taxable sales Reduced tax8%	
G8	Tax - Purchases for both sales Reduced tax8%	
H1	Tax free - purchase	
H2	Tax free - purchase	
H3	Tax free - purchase	
H4	Tax free - purchase	
H5	Tax free - purchase	

2. List of tax codes 2/2

Tax code	Name	Calculation formula
H6	Tax free - purchase	
H7	Tax free - purchase	
H9	Tax free - purchase (Other)	
I1	Tax free – sales	
I2	Tax free - sales	
I3	Tax free - sales	
I4	Tax free - sales	
I5	Tax free - sales	
I9	Tax free - sales (Other)	
U0	Tax free - sales	
U5	Tax - sales 5%	Amount * 5 / 105
U8	Tax - sales 8%	Amount * 8 / 108
U9	Export (Exempt)	
UA	Tax - sales 10%	Amount * 10 / 110
W8	Reduced tax rate 8% - Sales	
X0	Import (Taxable) 0%	
X5	Import (Taxable) 5%	
X8	Import (Taxable) 8%	
XA	Import (Taxable) 10%	

1. Calculation method (example)

Tax-inclusive amount: ¥10,772, tax rate: 5%, rounding rule: B (round-down)

(1) SAP ERP treats the tax-inclusive value as the tax-exclusive value and assumes that it is the net amount.
Subsidiary tax-exclusive value: ¥10,772

(2) Calculate the new tax-inclusive value (tax amount rounded according to the rounding rule).
Subsidiary tax-inclusive value: ¥10,772 * 1.05 = ¥11,310.60 = ¥11,310

(3) Now calculate the subsidiary tax-exclusive value for the original tax-inclusive value of JPY 10,772.
(* Fractions will always be rounded off, as determined by the system.)
Subsidiary tax-exclusive value: ¥10,772 * ¥10,772 / 11,310 = ¥10,259.59 = ¥10,260

(4) Calculate the tax (tax rounded according to the rounding rule) based on the subsidiary tax-exclusive value
Subsidiary tax-exclusive value * tax rate = tax amount
Tax amount: ¥10,260 * 0.05 = ¥513.0 = ¥513

(5) Adjustment of the tax-exclusive value = tax-inclusive value - tax amount = tax-exclusive value
Tax-exclusive value: ¥ 10,772 - ¥513 = ¥10,259

Result

Tax-inclusive value =	¥10,772
Tax amount =	¥513
Tax-exclusive value =	¥10,259

2. Calculation formula on the Excel sheet

Tax amount = ROUND (ROUND (tax-inclusive price * tax-inclusive price/ (ROUND (tax-inclusive price * 1.05,0)), 0) * 0.05, 0)

If the tax-inclusive price is 0, #DIV/0 will be displayed. To resolve this issue, use the following formula:

Tax amount = IF (tax-inclusive price = 0, 0, ROUND (ROUND (tax-inclusive price * tax-inclusive price/ (ROUND (tax-inclusive price * 1.05, 0)), 0) * 0.05, 0))

REAL MODEL

1. Correspondence to “Limitation of application of 95% rule”

In Real Model, corresponds to tax reform with itemized method, which make possible deducting more purchase tax value.

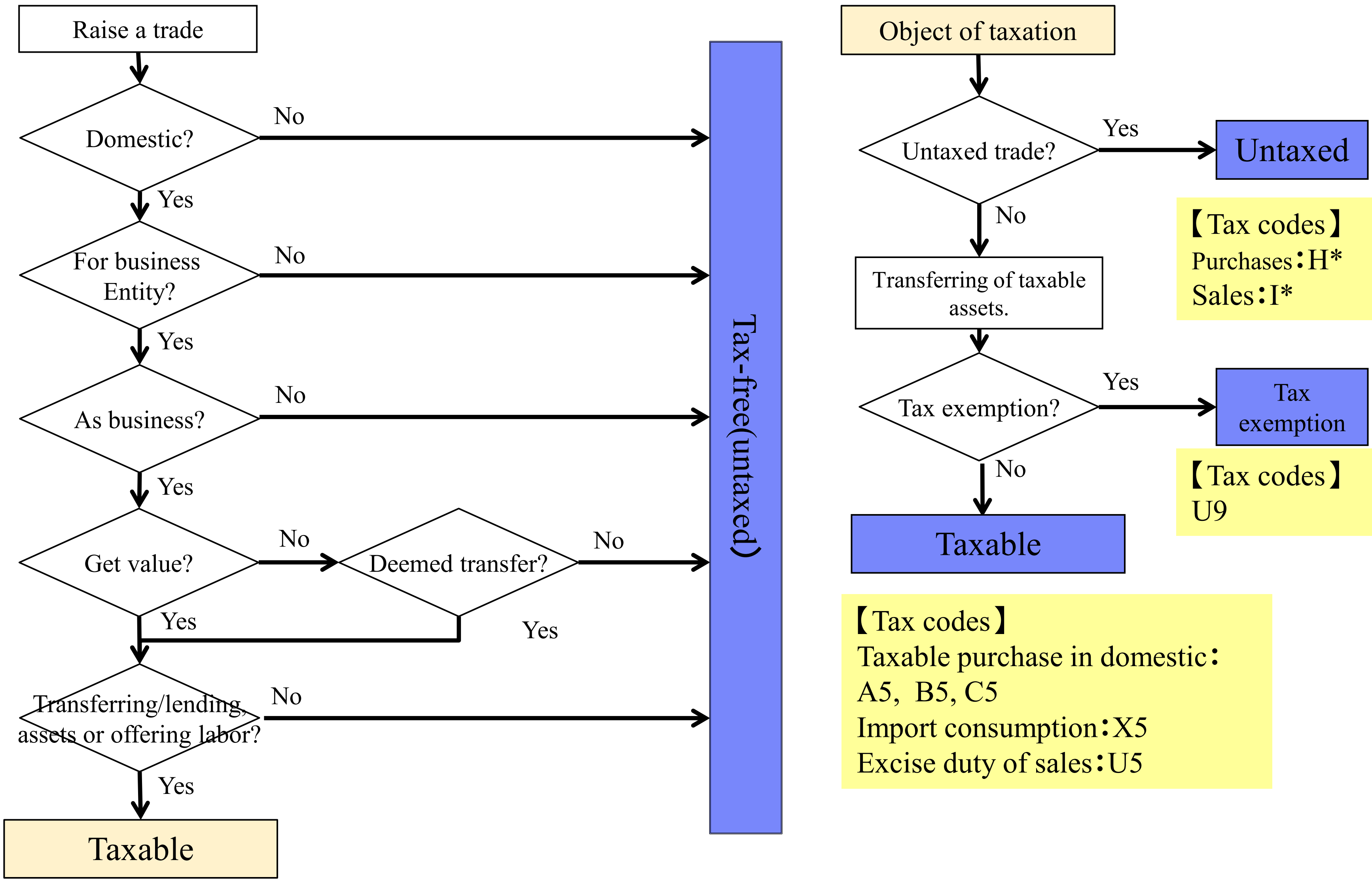
(1) Consumption tax code for taxable purchases

Transaction	Tax code
Purchases for transferring of taxable assets	A5
Purchases for transferring of the other assets(tax-free)	B5
Purchases of assets for transferring as both taxable and tax-free assets.	C5

(2) Notion of tax codes of taxable purchases transactions.

- Purchases for transferring of taxable assets
  - Purchase of the assets for selling with no processing.
  - Purchases of a material, such Row-materials, Vessels, Packing materials, Machinery, Equipment and Supply, consumed or used for only manufacturing of taxable product.
  - Cost of taxable assets, such as Warehouse fee, Shipping charge, Commercial charge, Commission paid, Processing fee.
  - Purchases of assets for transferring at abroad as taxable assets.
  - Purchases of assets, such as sample and trial product, for distributing to customers for sales promotion .
- Purchases for transferring of the other assets(tax-free)
  - Brokerage fee and preparation cost for an estate(empty lot) for selling.
  - Brokerage fee of valuable papers.
  - Cost of repairing rental and brokerage fee of rent.
- Purchases of assets for transferring as both taxable and tax-free assets.
  - A taxable purchases that cannot be identified whether it is done for selling of taxable assets or tax-free.
  - Specifically, a purchase that has done by divisions such as the general affairs, the personal and the accounting correspond to above. In principle, every trade have to be identified whether it is correspond to above. If the purchases could be identified, it does not correspond to above.

2. Determination flow of taxable trade



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