



# Country Solution Pakistan

IFSCLOUD25R2

## Table of Contents

|          |                                              |    |
|----------|----------------------------------------------|----|
| <b>1</b> | Company Set-up .....                         | 2  |
| <b>2</b> | System Defined Pakistan States .....         | 4  |
| <b>3</b> | Pakistan Section Codes & Sales Tax WHT ..... | 5  |
| <b>4</b> | Tax on Sales Price .....                     | 14 |

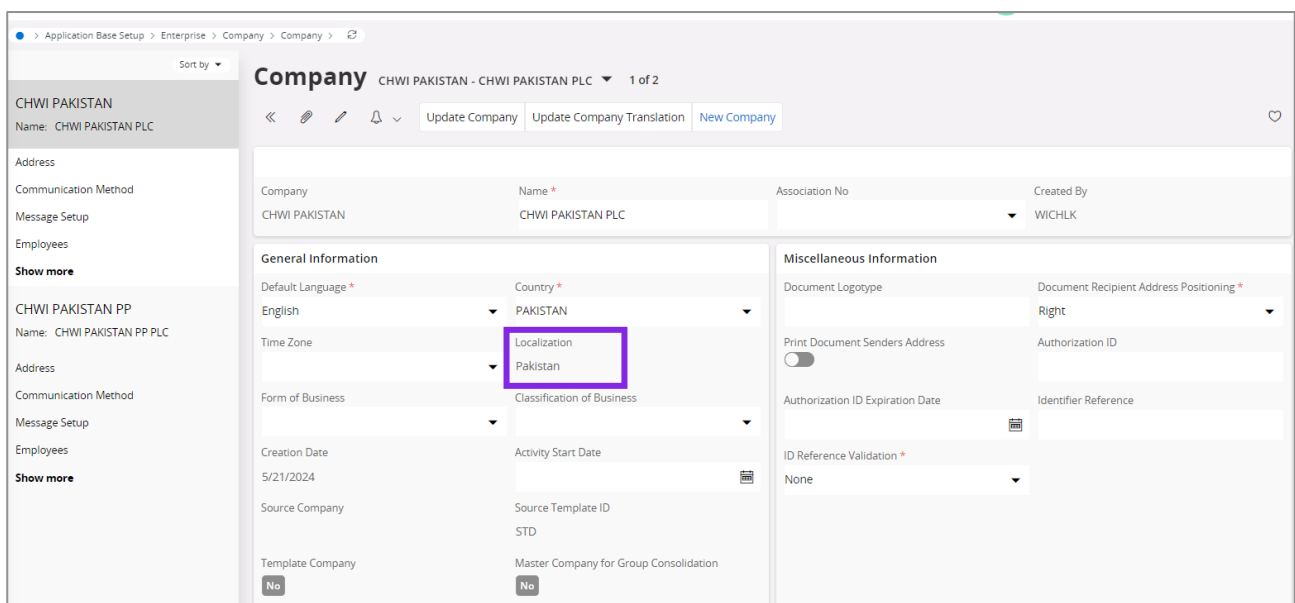
# 1 Company Set-up

## 1.1 Overview

To utilize Pakistan's functionality, the company must be set up using Pakistan localization. This is defined on the Company/General Information page.

## 1.2 Define Localization

- Open the page, **Company**.
- Search for the company.
- Select "Pakistan" in the drop-down list of the **Localization** field in **General Information** and save. Note that this cannot be changed once transactions are created for the company.



The screenshot shows the 'Company' setup page for 'CHWI PAKISTAN - CHWI PAKISTAN PLC'. The 'General Information' section is expanded, and the 'Localization' dropdown menu is open, showing 'Pakistan' as the selected option. Other fields include 'Default Language' (English), 'Country' (PAKISTAN), 'Time Zone', 'Form of Business', 'Classification of Business', 'Creation Date' (5/21/2024), 'Activity Start Date', 'Source Company', 'Source Template ID' (STD), 'Template Company' (No), and 'Master Company for Group Consolidation' (No). The 'Miscellaneous Information' section includes 'Document Logotype', 'Document Recipient Address Positioning' (Right), 'Print Document Senders Address' (toggle), 'Authorization ID', 'Authorization ID Expiration Date', 'Identifier Reference', and 'ID Reference Validation' (None).

## 1.3 Select Localization Functionality

Specify which functionality to use.

- Open the **Localization Control Center** sub-menu under **Company**.
- The localization selected in the previous step is displayed in the **Localization Control Center** field and cannot be changed.
- All functionalities available for Pakistan are presented in the list. Enable/Disable the functionalities based on the requirements of the company by selecting the toggle buttons Enable. Note that some functionalities are mandatory and cannot be disabled.

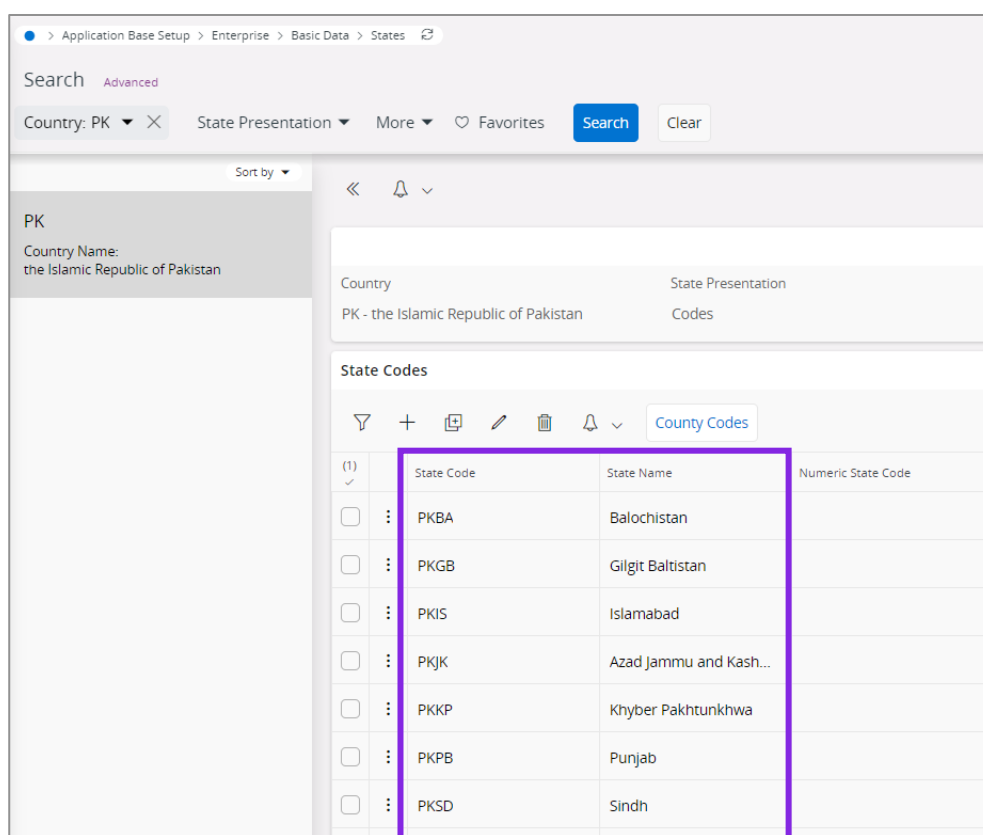


## 2 System Defined Pakistan States

### 2.1 Solution Overview

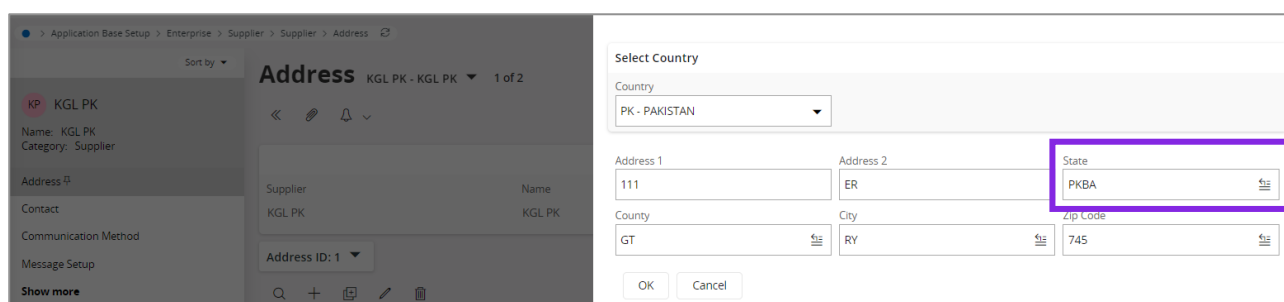
There are different scenarios relevant to the withholding tax calculation based on several criteria such as state, nature of the transaction, legal status, sales tax status income tax status, etc. State code acts as a decisive component in the tax calculation since Pakistan has state-based tax rates when supplying and buying goods and services. Hence the State codes specific to Pakistan were introduced.

Accordingly, on the **States** page, the user can view the list of system-defined Pakistan **State Codes**, **State Names**, and **Numeric State Codes** under **PK** (Pakistan) country code. The solution allows the addition, modification, and removal of States as per the user's requirement.



| State Code | State Name             | Numeric State Code |
|------------|------------------------|--------------------|
| PKBA       | Balochistan            |                    |
| PKGB       | Gilgit Baltistan       |                    |
| PKIS       | Islamabad              |                    |
| PKJK       | Azad Jammu and Kash... |                    |
| PKKP       | Khyber Pakhtunkhwa     |                    |
| PKPB       | Punjab                 |                    |
| PKSD       | Sindh                  |                    |

As a result of the system-defined state codes, the user will be able to select the applicable state code from the list of values, when registering an address of the supplier in IFS Cloud if the country is Pakistan (PK).



Address ID: 1

Country: PK - PAKISTAN

Address 1: 111

Address 2: ER

State: PKBA

County: GT

City: RY

Zip Code: 745

## 3 Pakistan Section Codes & Sales Tax WHT

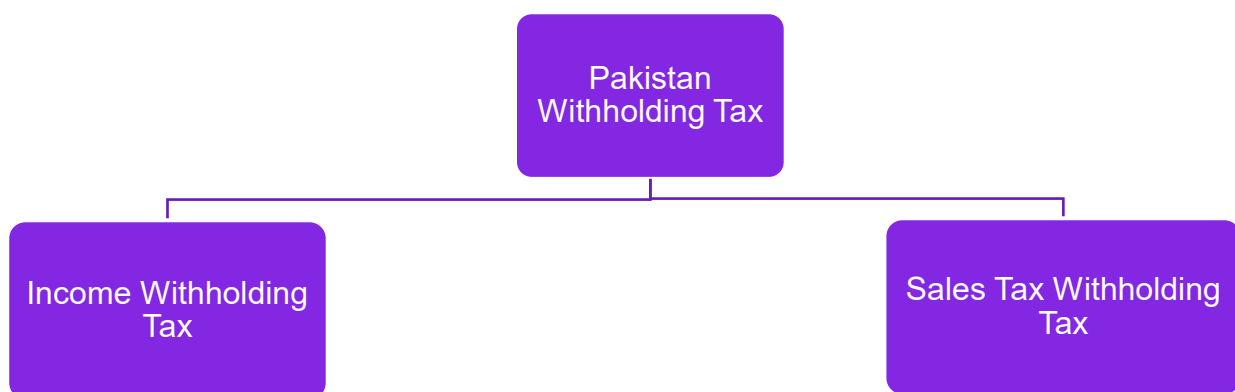
### 3.1 Overview Legal Requirement

Sales Tax is a tax levied by the Federal Government under the Sales Tax Act, of 1990, on the sale and supply of goods and the goods imported into Pakistan. Sales Tax on services is levied by the Federal Government under The Islamabad Capital Territory (Tax on Services) Ordinance, 2001.

Withholding sales tax under the Sales Tax Act 1990 is deducted by the provisions of Section 3(7) of the Sales Tax Act 1990.

The tax shall be withheld at the rate as specified in the Eleventh Schedule, by any person or class of persons being purchasers of goods or services, other than the services liable to pay sales tax under a Provincial enactment, as withholding agent to deposit the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette.

### 3.2 Process Overview



### 3.3 Solution Overview

The diagram below provides an overview of the entire solution, including calculations for both "Registered" and "Unregistered" supplier scenarios.



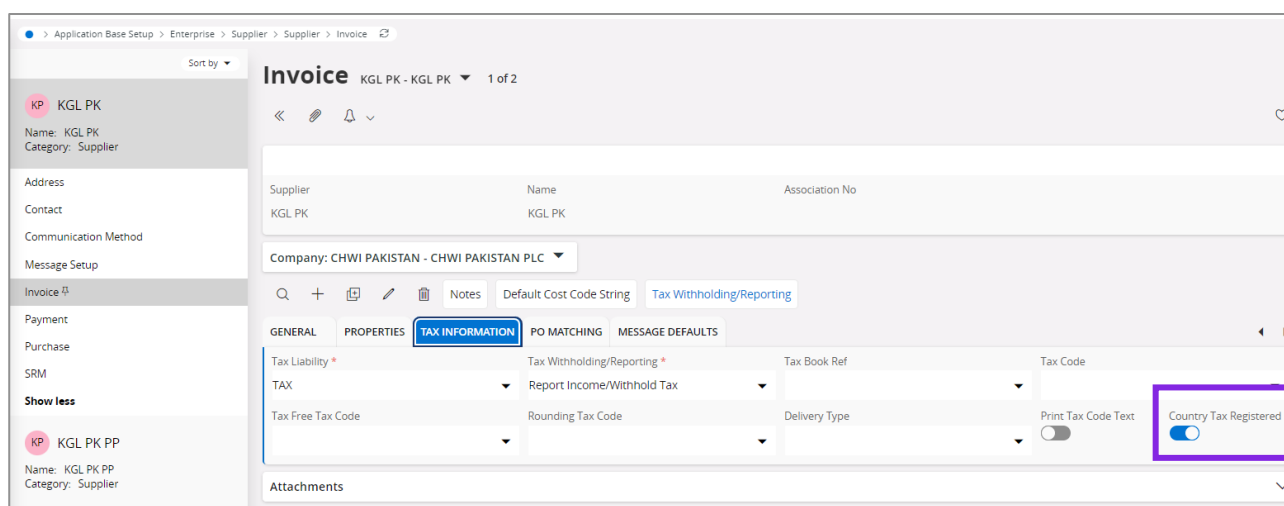
### 3.4 Prerequisites

- The company must be set up to use Pakistan localization, see the [Company Setup](#) chapter.
- The **Tax Method Tax Disbursed** column must be set up as **Payment** for tax codes defined under the **Tax Withhold** tax type on the **Tax Codes** page.

### 3.5 Supplier-level basic data

#### 3.5.1 SUPPLIER TAX REGISTRATION STATUS

A new toggle **Country Tax Registered** is introduced in the **Supplier/Invoice/Tax Information** sub-section. This functionality will determine whether the supplier is registered for sales tax or not and carry out the tax calculations accordingly.



Application Base Setup > Enterprise > Supplier > Supplier > Invoice

Sort by

KP KGL PK  
Name: KGL PK  
Category: Supplier

Address  
Contact  
Communication Method  
Message Setup  
Invoice

Payment  
Purchase  
SRM  
Show less

KP KGL PK PP  
Name: KGL PK PP  
Category: Supplier

Invoice KGL PK - KGL PK 1 of 2

Supplier: KGL PK Name: KGL PK Association No:

Company: CHWI PAKISTAN - CHWI PAKISTAN PLC

Q + Notes Default Cost Code String Tax Withholding/Reporting

GENERAL PROPERTIES TAX INFORMATION PO MATCHING MESSAGE DEFAULTS

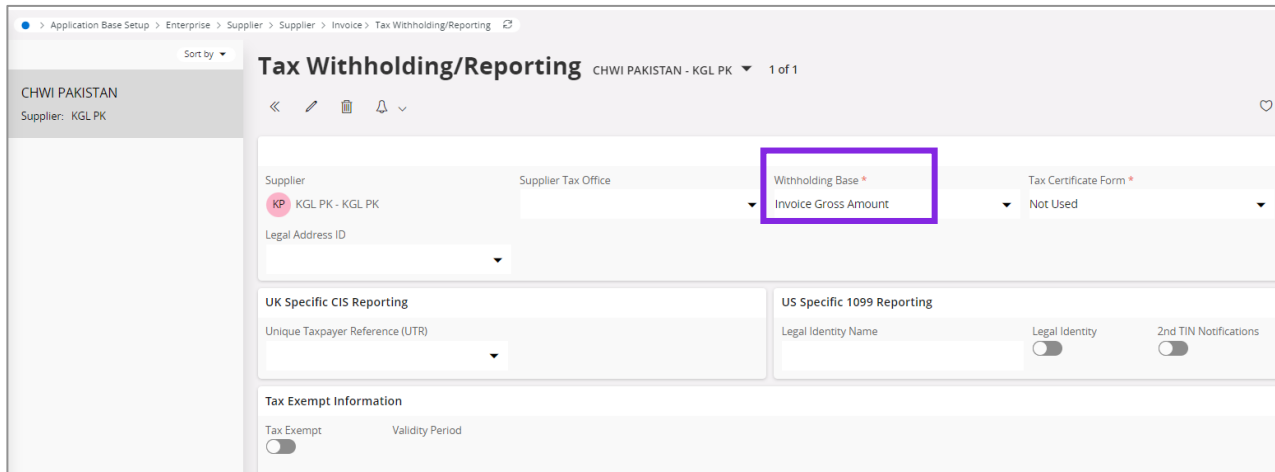
Tax Liability \* TAX Tax Withholding/Reporting \* Report Income/Withhold Tax Tax Book Ref Tax Code

Tax Free Tax Code Rounding Tax Code Delivery Type Print Tax Code Text **Country Tax Registered**

Attachments

#### 3.5.2 INTRODUCTION OF A NEW WITHHOLDING BASE TO SUPPLIER BASIC DATA

A new tax base as **Invoice Gross Amount** is introduced as a standard functionality in the **Supplier/Invoice/Tax Withholding/Reporting** page. This will enable the calculation of Income Withholding taxes to consider the Invoice Gross Amount as the Withholding tax base.



**Tax Withholding/Reporting** CHWI PAKISTAN - KGL PK 1 of 1

Supplier: KGL PK

Supplier Tax Office: [Dropdown]

Withholding Base \*  
Invoice Gross Amount

Tax Certificate Form \*  
Not Used

Legal Address ID: [Dropdown]

**UK Specific CIS Reporting**  
Unique Taxpayer Reference (UTR): [Dropdown]

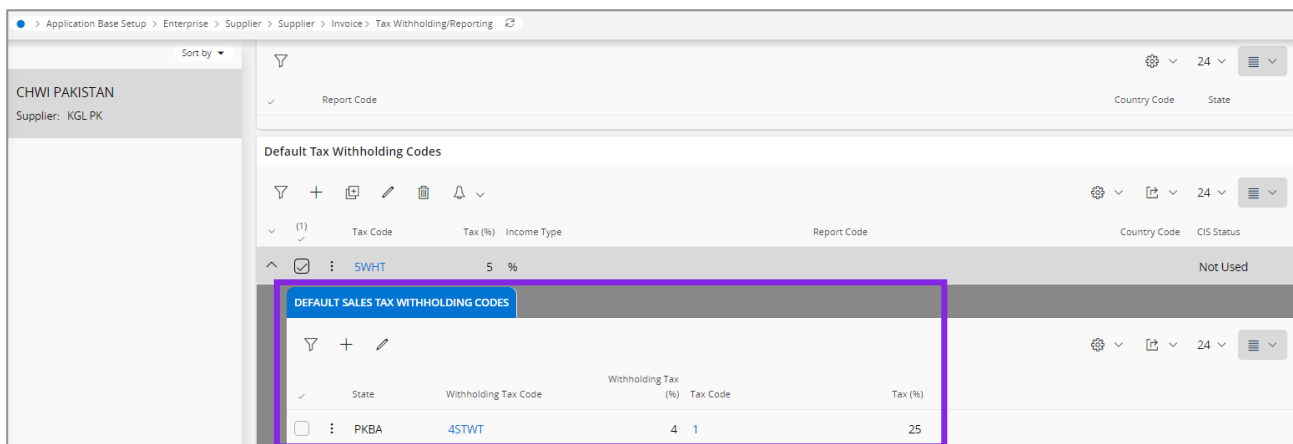
**US Specific 1099 Reporting**  
Legal Identity Name: [Text]  
Legal Identity: [Toggle]  
2nd TIN Notifications: [Toggle]

**Tax Exempt Information**  
Tax Exempt: [Toggle]  
Validity Period: [Text]

### 3.5.3 INTRODUCTION OF A NESTED TABLE TO STORE SALES TAX WITHHOLDING BASIC DATA

A nested table named **Default Sales Tax Withholding Codes** is introduced under the Default Tax Withholding Codes section of the **Supplier/Invoice/Tax Withholding/Reporting** page, to store information related to State, Sales Tax Withholding Tax rates and Sales Tax rates at the supplier basic data level. The functionality allows users to add, modify, and delete records related to Sales WHT.

Note - The **State** code will be a mandatory field in this nested table, and if the supplier is not registered for sales tax, entering the **Tax Code** will also be mandatory.



**Default Tax Withholding Codes**

| Tax Code | Tax (%) | Income Type | Report Code | Country Code | CIS Status |
|----------|---------|-------------|-------------|--------------|------------|
| 5WHT     | 5       |             |             |              | Not Used   |

**DEFAULT SALES TAX WITHHOLDING CODES**

| State | Withholding Tax Code | Withholding Tax (%) | Tax Code | Tax (%) |
|-------|----------------------|---------------------|----------|---------|
| PKBA  | 4STWT                | 4                   | 1        | 25      |

### 3.6 Fetching and Modifying of Income WHT and Sales Tax WHT

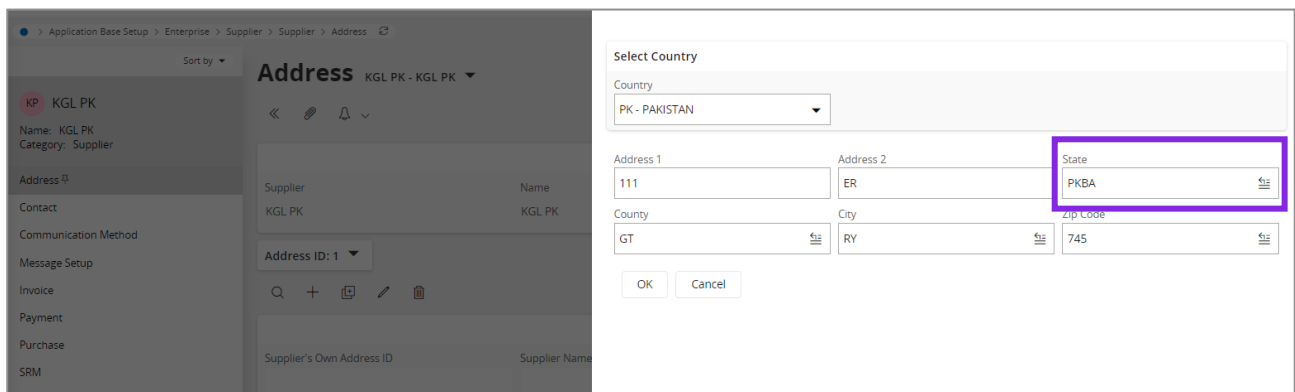
Fetching of Income Tax WHT and Sales Tax WHT are handled for the below three pages.

- 1) New Manual Supplier Invoice Page
- 2) Manual Supplier Invoice Page
- 3) Posting Proposal Page

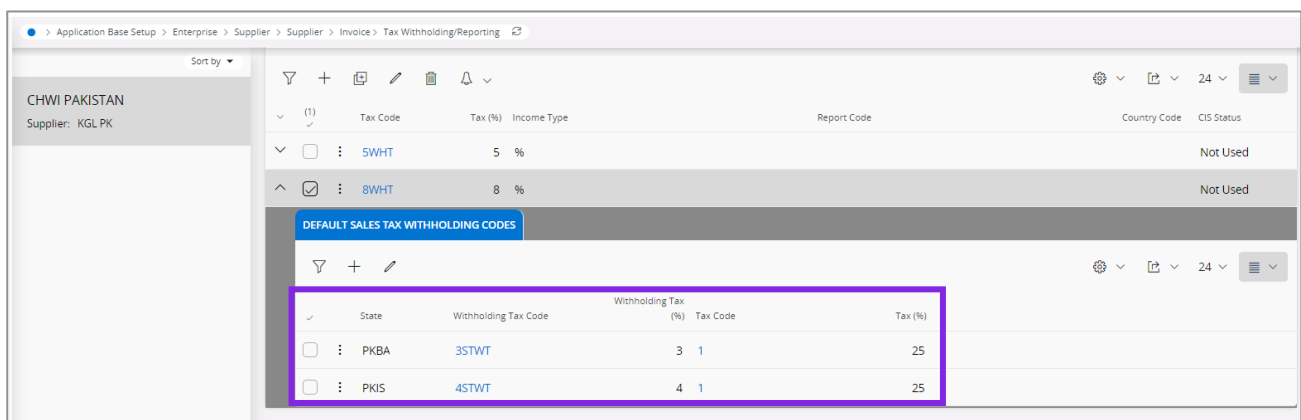


Fetching of Income Withholding taxes to the manual supplier invoices will work based on the standard functionality regardless of the state and based on the Income Tax Withholding rates defined for a particular supplier on the **Supplier/ Invoice/Tax Withholding/Reporting**.

The fetching of the Sales tax WHT to the manual supplier invoice is based on the State defined on the Default Document Address on the **General Address Information** section of the **Supplier/Address** page. Users should enter sales tax withholding information on the **Default Sales Tax Withholding Code** nested table based on the **Supplier/ Invoice/Tax Withholding/Reporting** page based on the Supplier's default document address. If this condition suffices, sales tax withholding tax codes and sales tax codes will be fetched to the supplier invoice. The functionality has enabled the addition, modification, and deletion of withholding taxes and the correct amount should be fetched as per the change.



The screenshot shows the 'Supplier Address' form. The 'State' field is highlighted with a red box, showing 'PKBA'. The 'Country' field is set to 'PK - PAKISTAN'. The 'Address 1' field is '111', 'Address 2' is 'ER', 'County' is 'GT', 'City' is 'RY', and 'Zip Code' is '745'.



The screenshot shows the 'Supplier Tax Withholding/Reporting' page. The 'DEFAULT SALES TAX WITHHOLDING CODES' table is highlighted with a red box. The table contains the following data:

| State | Withholding Tax Code | Withholding Tax (%) | Tax Code | Tax (%) |
|-------|----------------------|---------------------|----------|---------|
| PKBA  | 3STWT                | 3                   | 1        | 25      |
| PKIS  | 4STWT                | 4                   | 1        | 25      |

**Tax Lines, Withholding**

|                                       |                                          |                      |                    |
|---------------------------------------|------------------------------------------|----------------------|--------------------|
| Supplier<br><b>KP</b> KGL PK - KGL PK | Withholding Base<br>Invoice Gross Amount | Series ID<br>SI      | Invoice No<br>REG5 |
| Tax Curr Rate<br>1                    | Gross Amount<br>1000.00                  | Net Amount<br>800.00 |                    |

**Line Details**

|                          | Tax Code | Tax Type     | Withholding Base Amount | Tax % | Tax Amount | Tax Amount in Accounting Currency | Tax Amount in Parallel Currency | Use Withholding Amount Table | Report Code | State |
|--------------------------|----------|--------------|-------------------------|-------|------------|-----------------------------------|---------------------------------|------------------------------|-------------|-------|
| <input type="checkbox"/> | 8WHT     | Tax Withhold | 1000.00                 | 8     | 80.00      | 80.00                             | 96.00                           | No                           |             |       |
| <input type="checkbox"/> | 35TWT    | Tax Withhold | 200.00                  | 3     | 6.00       | 6.00                              | 7.20                            | No                           |             |       |

## 3.7 Calculation of Income WHT and Sales Tax WHT

### 3.7.1 INCOME WITHHOLDING TAX CALCULATION

Calculation of income withholding taxes will be based on the withholding base defined, income type, and the WHT rate defined under the Default Tax Withholding Codes section of the **Supplier/ Invoice/ Tax Withholding/Reporting** page. Note: Income WHT calculation will not depend on the state in which the invoice is raised.

Application Base Setup > Enterprise > Supplier > Supplier > Invoice > Tax Withholding/Reporting
Sort by

**CHWI PAKISTAN**  
 Supplier: KGL PK

|                                     | Income Type | Default Income Type | 1099 Threshold Currency | 1099 Threshold Amount | Supplier 1099 Threshold Amount |
|-------------------------------------|-------------|---------------------|-------------------------|-----------------------|--------------------------------|
| <input checked="" type="checkbox"/> | Income Type |                     |                         |                       |                                |

**Supplier State Tax Information**

|                                     | Report Code | Country Code | State |
|-------------------------------------|-------------|--------------|-------|
| <input checked="" type="checkbox"/> | (No data)   |              |       |

**Default Tax Withholding Codes**

|                                     | Tax Code | Tax (%) | Income Type | Report Code | Country Code | CIS Status |
|-------------------------------------|----------|---------|-------------|-------------|--------------|------------|
| <input checked="" type="checkbox"/> | 8WHT     | 8 %     |             |             |              | Not Used   |

**DEFAULT SALES TAX WITHHOLDING CODES**

|                          | State | Withholding Tax Code | Withholding Tax (%) | Tax Code | Tax (%) |
|--------------------------|-------|----------------------|---------------------|----------|---------|
| <input type="checkbox"/> | PKBA  | 35TWT                | 3                   | 1        | 25      |
| <input type="checkbox"/> | PKIS  | 45TWT                | 4                   | 1        | 25      |

**Tax Lines, Withholding**

|                                       |                                          |                      |                    |
|---------------------------------------|------------------------------------------|----------------------|--------------------|
| Supplier<br><b>KP</b> KGL PK - KGL PK | Withholding Base<br>Invoice Gross Amount | Series ID<br>SI      | Invoice No<br>REG5 |
| Tax Curr Rate<br>1                    | Gross Amount<br>1000.00                  | Net Amount<br>800.00 |                    |

**Line Details**

Filter + Edit
 

 Settings 24

| <input type="checkbox"/> | Tax Code | Tax Type     | Withholding Base Amount | Tax % | Tax Amount | Tax Amount in Accounting Currency | Tax Amount in Parallel Currency | Use Withholding Amount Table | Report Code | State |
|--------------------------|----------|--------------|-------------------------|-------|------------|-----------------------------------|---------------------------------|------------------------------|-------------|-------|
| <input type="checkbox"/> | 8WHT     | Tax Withhold | 1000.00                 | 8     | 80.00      | 80.00                             | 96.00                           | No                           |             |       |
| <input type="checkbox"/> | 35TWT    | Tax Withhold | 200.00                  | 3     | 6.00       | 6.00                              | 7.20                            | No                           |             |       |

OK
Cancel

### 3.7.2 SALES TAX WITHHOLDING CALCULATION FOR A SUPPLIER REGISTERED FOR SALES TAX

**Country Tax Registered** toggle should be enabled on the **Supplier/ Invoice/ Tax Information** sub tab.

Further income and sales tax withholding tax codes should be defined under the **Default Tax Withholding** section of the **Supplier/ Invoice/ Tax Withholding/Reporting** page. Entering the **State** with relevant Sales Tax WHT rates is required to fetch Sales Tax WHT values to the manual supplier invoice. If the state is defined but the Sales Tax WHT rate isn't defined on the **Default Sales Tax Withholding Codes** nested table, the relevant sales tax WHT line won't be created on the manual supplier invoice and other supported pages.

When the supplier is registered for sales tax, sales tax WHT will be calculated based on the sales tax amount derived from the manual supplier invoice line level. Hence **Withholding Base Amount** for the invoice will be the sales tax amount which will be multiplied by the sales tax withholding code defined in the nested table.

The formula to calculate Sales WHT is as below.

**Sales Tax WHT = Sales Tax Amount X Sales Tax WHT %**

Example:  $200 * 3\% = 6$

Application Base Setup > Enterprise > Supplier > Supplier > Invoice > Tax Withholding/Reporting

Sort by

CHWI PAKISTAN  
Supplier: KGL PK

Supplier State Tax Information

Report Code

(No data)

Default Tax Withholding Codes

(1) Tax Code Tax (%) Income Type Report Code Country Code CIS Status

8WHT 8 % Not Used

DEFAULT SALES TAX WITHHOLDING CODES

(1) State Withholding Tax Code Withholding Tax (%) Tax Code Tax (%)

PKIS 3STWT 3 1 25

Financials > Supplier Invoice > New Manual Supplier Invoice

### New Manual Supplier Invoice

Header Information Line Information Posting Information

Invoice

| Company       | Supplier | Series ID | Invoice No | Currency | Gross Amount | Net Amount | Tax Amount |
|---------------|----------|-----------|------------|----------|--------------|------------|------------|
| CHWI PAKISTAN | KGL PK   | SI        | FF         | PKR      |              |            |            |

Line Information

| Gross Amount | Net Amount | Tax Amount | Non-deductible Tax Amount | Cost Amount |
|--------------|------------|------------|---------------------------|-------------|
| 1000.00      | 800.00     | 200.00     | 0.00                      | 800.00      |

Lines

Done Cancel Edit

| Line ID | Delivery Type | Income Type Identity | Tax Code | Tax Calculation Structure | Multiple Tax Lines | Tax (%) | Tax Method Tax Received | Gross Amount | Net Amount | Tax Amount | Tax Amount in Accounting Currency | Tax A Parallel |
|---------|---------------|----------------------|----------|---------------------------|--------------------|---------|-------------------------|--------------|------------|------------|-----------------------------------|----------------|
| 1       |               | 1                    | 1        |                           | No                 | 25      | Invoice Ent...          | 1000.00      | 800.00     | 200.00     | 200.00                            |                |

Previous Next Finish Cancel

### Tax Lines, Withholding

Supplier: KP KGL PK - KGL PK

Withholding Base: Invoice Gross Amount

Series ID: SI

Invoice No: REG5

Tax Curr Rate: 1

Gross Amount: 1000.00

Net Amount: 800.00

Line Details

| Tax Code | Tax Type     | Withholding Base Amount | Tax % | Tax Amount | Tax Amount in Accounting Currency | Tax Amount in Parallel Currency | Use Withholding Amount Table | Report Code | State |
|----------|--------------|-------------------------|-------|------------|-----------------------------------|---------------------------------|------------------------------|-------------|-------|
| 8WHT     | Tax Withhold | 1000.00                 | 8     | 80.00      | 80.00                             | 96.00                           | No                           |             |       |
| 3STWT    | Tax Withhold | 200.00                  | 3     | 6.00       | 6.00                              | 7.20                            | No                           |             |       |

OK Cancel

### 3.7.3 SALES TAX WITHHOLDING CALCULATION FOR A SUPPLIER NOT REGISTERED FOR SALES TAX

The **Country Tax Registered** toggle should be disabled on the **Supplier/ Invoice/ Tax Information** sub-tab.

Further income and sales tax withholding tax codes should be defined under the Default Tax Withholding section of the **Supplier/ Invoice/ Tax Withholding/Reporting** page. Entering the **State** and **Tax Code** with relevant Sales Tax WHT rates is mandatory to fetch Sales Tax WHT values to the manual supplier invoice. If the state and sales tax code are defined but the Sales Tax WHT rate isn't defined on the **Default Sales Tax Withholding Codes** nested table, the relevant sales tax WHT line won't be created on the manual supplier invoice.

When the supplier is not registered for sales tax, sales tax WHT will be calculated based on the calculated net amount derived from the gross amount of the manual supplier invoice. Hence **Withholding Base Amount** for the invoice will be the calculated net amount derived from the sales tax rate defined on the Default Sales Tax Withholding codes nested table which will be multiplied by the sales tax withholding code to arrive at the sales tax WHT amount.

The formula to calculate Sales WHT is as below.

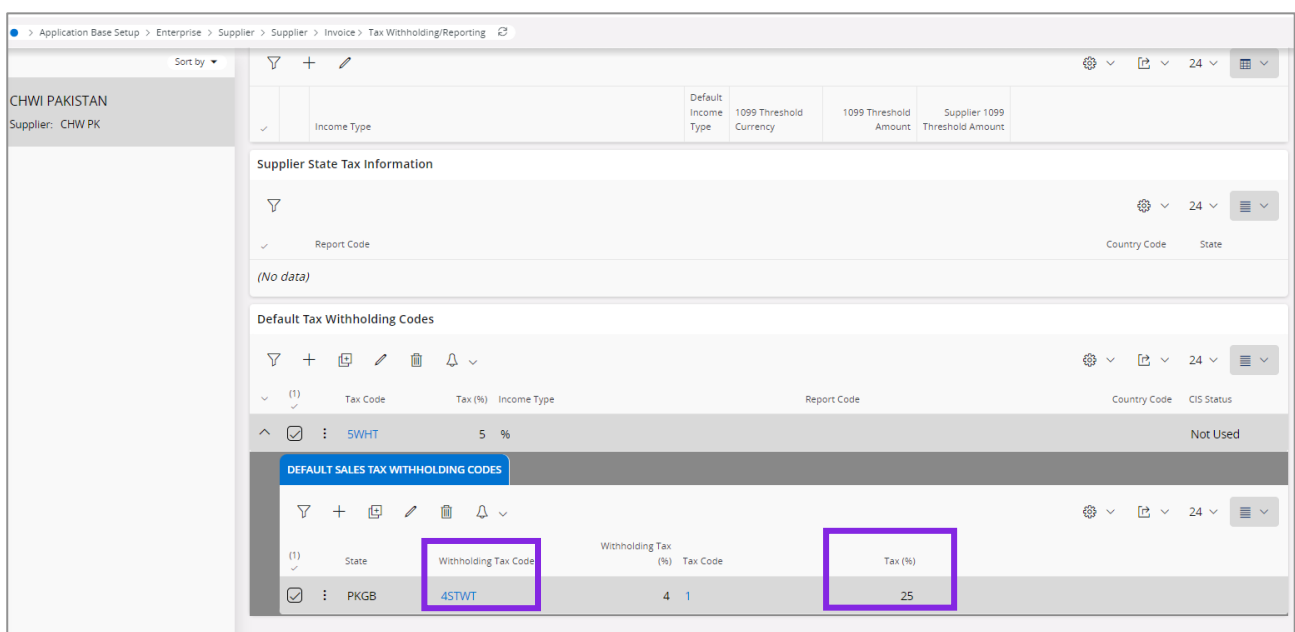
$$\text{Sales Tax WHT} = \text{Calculated Invoice Net Amount} \times \text{Sales Tax WHT \%}$$

$$\text{Calculated Invoice Net Amount} = \text{Invoice Gross Amount} / (100\% + \text{Sales Tax WHT \%})$$

Example:

$$\text{Net Amount} = 1000 / (100\% + 25\%) = 800$$

$$\text{Sales WHT} = 4\% \times 800 = 32$$



Financials > Supplier Invoice > New Manual Supplier Invoice

## New Manual Supplier Invoice

Header Information Line Information Posting Information

**Invoice**

| Company       | Supplier | Series ID | Invoice No | Currency | Gross Amount | Net Amount | Tax Amount |
|---------------|----------|-----------|------------|----------|--------------|------------|------------|
| CHWI PAKISTAN | CHW PK   | SI        | FF         | PKR      |              |            |            |

**Line Information**

| Gross Amount | Net Amount | Tax Amount | Non-deductible Tax Amount | Cost Amount |
|--------------|------------|------------|---------------------------|-------------|
| 1000.00      | 1000.00    | 0.00       | 0.00                      | 1000.00     |

**Lines**

Tax Lines Tax Lines, Withholding

| (1)                                 | Line ID | Delivery Type | Income Type Identity | Tax Code | Tax Calculation Structure | Multiple Tax Lines | Tax (%) | Tax Method Tax Received | Gross Amount | Net Amount | Tax Amount | Tax Amount i Accountin Currenc |
|-------------------------------------|---------|---------------|----------------------|----------|---------------------------|--------------------|---------|-------------------------|--------------|------------|------------|--------------------------------|
| <input checked="" type="checkbox"/> | 1       |               | 1                    | 0        |                           | No                 | 0       | Invoice Ent...          | 1000.00      | 1000.00    | 0.00       | 0.00                           |

Previous Next Finish Cancel

**Tax Lines, Withholding**

Supplier: CP CHW PK - CHW PK

Withholding Base: Invoice Net Amount

Series ID: SI

Invoice No: 6/8 S1

Tax Curr Rate: 1

Gross Amount: 1000.00

Net Amount: 1000.00

**Line Details**

| ✓                        | Tax Code | Tax Type     | Withholding Base Amount | Tax % | Tax Amount | Tax Amount in Accounting Currency | Tax Amount in Parallel Currency | Use Withholding Amount Table | Report Code | State |
|--------------------------|----------|--------------|-------------------------|-------|------------|-----------------------------------|---------------------------------|------------------------------|-------------|-------|
| <input type="checkbox"/> | 5WHT     | Tax Withhold | 1000.00                 | 5     | 50.00      | 50.00                             | 60.00                           | No                           |             |       |
| <input type="checkbox"/> | 4STWT    | Tax Withhold | 800.00                  | 4     | 32.00      | 32.00                             | 38.40                           | No                           |             |       |

OK Cancel

The standard IFS procedure can be followed to update the general ledger and to fetch tax ledger information on the tax transaction page.

### 3.8 Delimitations

- Sales Tax Withholding functionality for customers is not handled by this development.
- Adding new tax lines to the Tax Lines, Withholding dialog box manually, will be considered as an Income Withholding Tax Line regardless of whether the relevant tax code is defined in the Default Sales Tax Withholding Codes nested table as a Sales Tax Withholding Code.
- Supplier Invoice Template is not handled by this development considering the business scenarios with different tax combinations.

Additional delimitations may apply; all relevant flows should be tested to ensure completeness.

## 4 Tax on Sales Price

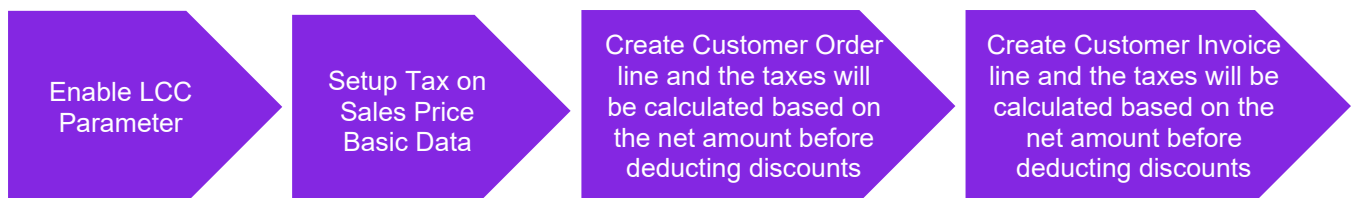
### 4.1 Overview Legal Requirement

In general conditions tax is applied on discounted sales price. But for some specific customers within Pakistan this is not applicable. In such situations tax should be applied on sales price before deducting discounts.

### 4.2 Solution Overview

To support this, the tax calculation logic has been adjusted to calculate the tax on the net amount before deducting discounts, when using the Pakistan localization. A new basic data setup has been introduced to site page, where the user can specify which customers this should be applied on based on the Form of Business. The tax calculation logic can be used in the Customer Order and in the Customer Invoice.

### 4.3 Process Overview



### 4.4 Prerequisites

The company must be set up to use Pakistan localization, see the [Company Setup](#) chapter.

### 4.5 Basic Data Setup

#### 4.5.1 TAX ON SALES PRICE LOCALIZATION CONTROL CENTER PARAMETER

A new Localization Control Center Parameter for Pakistan is introduced in the **Company/Localization Control Center, Tax on Sales Price**. This parameter enables the possibility to calculate tax on sales price before deducting discounts on Customer Orders based on Customers Forms of Business.

Application Base Setup > Enterprise > Company > Company > Localization Control Center

## Localization Control Center

Search (4)

>> IP-CO-PK - IP Company Pakistan 3 of 4

Company: IP-CO-PK, Name: IP Company Pakistan, Association No, Created By: IDPESE, Localization: Pakistan

| Functionality                                  | Description                                                                                                                      | Mandatory | Enabled |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------|---------|
| <input type="checkbox"/> Tax on Sales Price    | Enables the possibility to calculate tax on Sales Price before discounts on Customer Orders based on Customers Form of Business. | Yes       | Yes     |
| <input type="checkbox"/> Sales Tax Withholding | Enables the calculation of Sales Tax Withholding for tax registered and unregistered suppliers.                                  | Yes       | Yes     |

## 4.6 Tax on Sales Price setting on Site

A new toggle **Tax on Sales Price** is introduced in the **Site/Sales and Procurement/Sales/Pricing** sub-section. This functionality will determine whether the site is registered for Tax on Sales Price or not and tax calculations will apply accordingly. Along with the new toggle, **Tax on Sales Price**, a list with the field **Form of Business** is introduced and will be enabled once the **Tax on Sales Price** toggle is enabled. The new field is in the **Forms of Business for Tax on Sales Price** sub-section. The list of values in the field **Form of Business** contains all the Forms of Business registered for the Country Pakistan. When adding a Form of Business in the list, all the Customers registered with the same Form of Business will be applicable for the Tax on Sales Price.

Application Base Setup > Enterprise > Site > Site > Sales and Procurement

## Sales and Procurement

Search (19)

>> PKS1 - Pakistan Site 1 - IP-CO-PK 1 of 19

Create Internal Customer Create Internal Supplier

Company Site Group: ... Inter-Site

**SALES** **PROCUREMENT**

**General**

Branch: BRANCH1, Print Pick Report: Detailed, Order Type, Priority, Forwarder ID, Replicate Doc Text, Reserve from Transport Task, Customer Order Confirmation, Allow Automatic Substitution of Parts, Use Inventory Default, Order Level, Create CO in Released Status, Use Part Catalog Description for Sales, Unattach Handling Unit at Delivery, Print Condition Codes on Report, Fair Share Reservation, Allow Override Limit Sales to Assortme..., Transfer ATP Info in Internal Direct Del..., Part Availability Controls at Pick By Ch...

**Pricing**

Discount Method: Single Discount, Discount Type: G, Pricing Method: System Date, Update Price Effective Date Automatic, Use Price Incl Tax, Create Sales Part Base Prices in Planne..., Freeze Discounts along with Price Free, **Tax on Sales Price**

**Message Defaults**

Incoming Customer Order Approval: Not Applicable, Incoming Change Request Approval: Not Applicable, Release Incoming Customer Order: Not Applicable, EDI Auto Approval User, EDI Coordinator ID, Execute Order Change Online

**Forms of Business for Tax on Sales Price**

Form of Business: DEALER - DEALER...



Application Base Setup > Enterprise > Customer > Customer >

## Customer

Q Search (7)

» IP-CU-PK - IP Customer Pakistan 2 of 7

Copy Customer View End Customer Connections View B2B Users Customer 360

Customer

IP-CU-PK

One-Time Customer

☐

Name \*

IP Customer Pakistan

B2B Customer

☒

Association No

Logo

 Browse

### General Information

|                           |                            |                      |                      |
|---------------------------|----------------------------|----------------------|----------------------|
| Default Language *        | Country *                  | Category             | Creation Date        |
| English                   | PAKISTAN                   | Customer             | 2024-10-14           |
| Form of Business          | Classification of Business | Date of Registration | Identifier Reference |
| DEALER - DEALER...        |                            |                      |                      |
| ID Reference Validation * | Entity Use Code            |                      |                      |
| None                      |                            |                      |                      |

## 4.7 Tax Calculation based on Sales Price

For Customers that are registered with the Form of Business determined on the site, the taxes should be calculated based on the Net Amount before deducting discounts. For these Customers the tax calculations on Customer Order and Customer Invoice have been adjusted accordingly.

Upon creation of the Customer Order line and/or Customer Invoice line the application will first validate if the LCC Parameter, **Tax on Sales Price** is enabled and then if **Tax on Sales Price** toggle is enabled on the sending site, if the Customer is registered with the **Form of Business** added in the list on site and if the Delivery address on Customer Order line is within country **Pakistan**. If all conditions are true, the taxes will be calculated based on the Net amount before deducting discounts on the Customer Order line and/or Customer Invoice line.

The new base to calculate the Sales tax will be as below.

$$\text{Sales Tax Base} = \text{Sales qty} * \text{Price/Curr}$$

Example:

Sales price = 10  
 Quantity = 10  
 Tax % = 25  
 Discount % = 10

Tax base amount =  $(10 * 10) = 100$  (Sales price \* sales quantity)  
 Tax =  $100 * .25 = 25$

Once the tax is calculated, application will follow the standard logic to update tax amounts to respective fields and tables. Further there will be no changes to order line net amount calculation and discount calculation.

If you change the Customer Order line and/or Customer Invoice line, the application will re-fetch the tax accordingly. Re-fetch of tax based on the Net amount before deducting discounts is done for below changes:

- Delivery Address
- Sales Qty
- Price/Curr
- Price/Base
- Tax Code
- Tax Calculation Structure

#### 4.8 Delimitations

- Tax on Sales Price is not handled for Sales Quotation and Return of Goods.
- Use price incl tax functionality is not handled when using Tax on Sales Price.
- Price conversion factor for Sales Part is not handled when using Tax on Sales Price, only Sales Quantity in Customer Order line is considered.

Additional delimitations may apply; all relevant flows should be tested to ensure completeness.