

Sales Tax

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Sales tax is automatically calculated on all invoice types depending on your company settings within the SedonaSetup application. If a Customer's Site is flagged as exempt; i.e. if there is an entry in the Tax Exempt field of the Site, no tax will be calculated for any invoice created for the Site. The information contained in this topic section will explain how sales tax is determined and applied to an invoice.

Invoice Items

Every invoice (or Credit Memo) created contains a least one Invoice Item; whether it is manually selected on the Items tab of the invoice body or by selecting an inventory Part on the Parts tab of the invoice form. Inventory Parts are linked to an Invoice Item within the setup for each individual Part.

Each Invoice Item is linked to an Item Type in the Invoice Items setup table in SedonaSetup. An Item Type describes a type of service your company may invoice to a customer. Item Type examples are Job Parts, Service Parts, Job Labor, Service Labor, Recurring Services.

In the Tax Table setup, Item Types are flagged as taxable or not taxable. Sales tax is determined and calculated by totaling all amounts by Item Type, and then sales tax is applied to each unique Item Type. The application then totals all sales tax for all unique Item Types for the invoice.

All sales tax calculations are based on the settings in several SedonaSetup tables.

Invoice Item Setup

Each Invoice Item has a Taxable option labeled Taxable; if this option is not selected, the item will never be taxed in any situation on any invoice or credit memo.

If the Taxable option on the Invoice Item is selected, the application then uses the Item Type assigned to the Invoice Item and the Tax Table rules associated with the Tax Group selected on the invoice, to determine how much sales tax to apply.

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Tax Group Setup

Each Tax Group is linked to one or more Tax Tables. A Tax Group is assigned to each customer Site. When invoices are created for a site, the tax group assigned to the site automatically defaults into the invoice header. The tax group on an individual invoice may be overridden if needed.

Tax Table

Each Tax Table defines what types of services (Item Types) are taxable, the tax rate, the effective dates of when a tax rate is in effect, the G/L account that will be used for the credit side of an invoice transaction, and the Tax Agency (Vendor) to whom you will remit tax payments for taxes invoiced.

The SedonaOffice application calculates sales tax based on the invoice date entered by the User. The Invoice Date is compared to the Tax Table Effective Dates to determine which tax rate to use in calculating the sales tax.

Below is an illustration of sales tax calculations on a customer invoice.

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1. The Tax Group defaults from the site. The Tax Group is linked to one or more Tax Tables that define tax rates, effective dates and specifies which Item Types are taxable.
2. The Invoice Item determines whether the item is possibly taxable. If the Item is flagged as taxable, the Item Type assigned to the Invoice Item is evaluated within the Tax Tables assigned to the Tax Group on the invoice to calculate and apply sales tax to the invoice. If Parts are being invoiced, the setup of each part is assigned to an Invoice Item for use in determining tax-ability.

3. All sales tax calculations are totaled for each unique Item Type and saved to the invoice.

Sales Tax Flowchart

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