



# ELIMINATE CROSS-STATE TAX HEADACHES WITH BUYING ENTITIES

The OATUG Tax SIG and the Cost Mgmt SIG have teamed up for this webinar! Do you want to save some serious time and effort for U.S. state tax compliance? Especially if you conduct business across multiple states, and have numerous inventory organizations, each with separate item costs. Find out how a Buying Entity can help you streamline your cross-state line tax headaches. Applicable concepts to both Oracle EBS and Oracle Cloud Applications. With real-life success examples.

SEP 27<sup>TH</sup> 2024

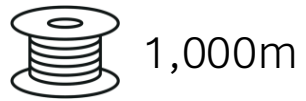
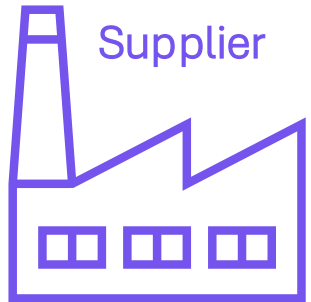
# OATUG



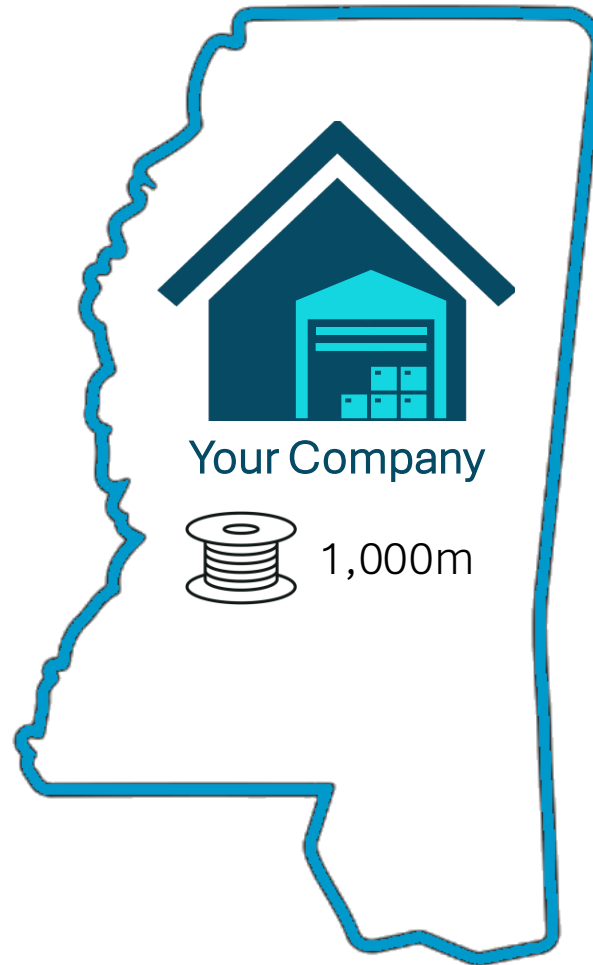
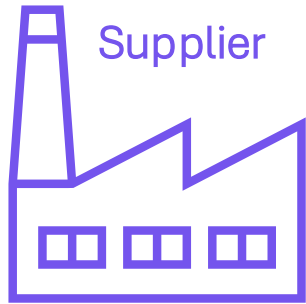
## Problem

Labour intensive and prone to error

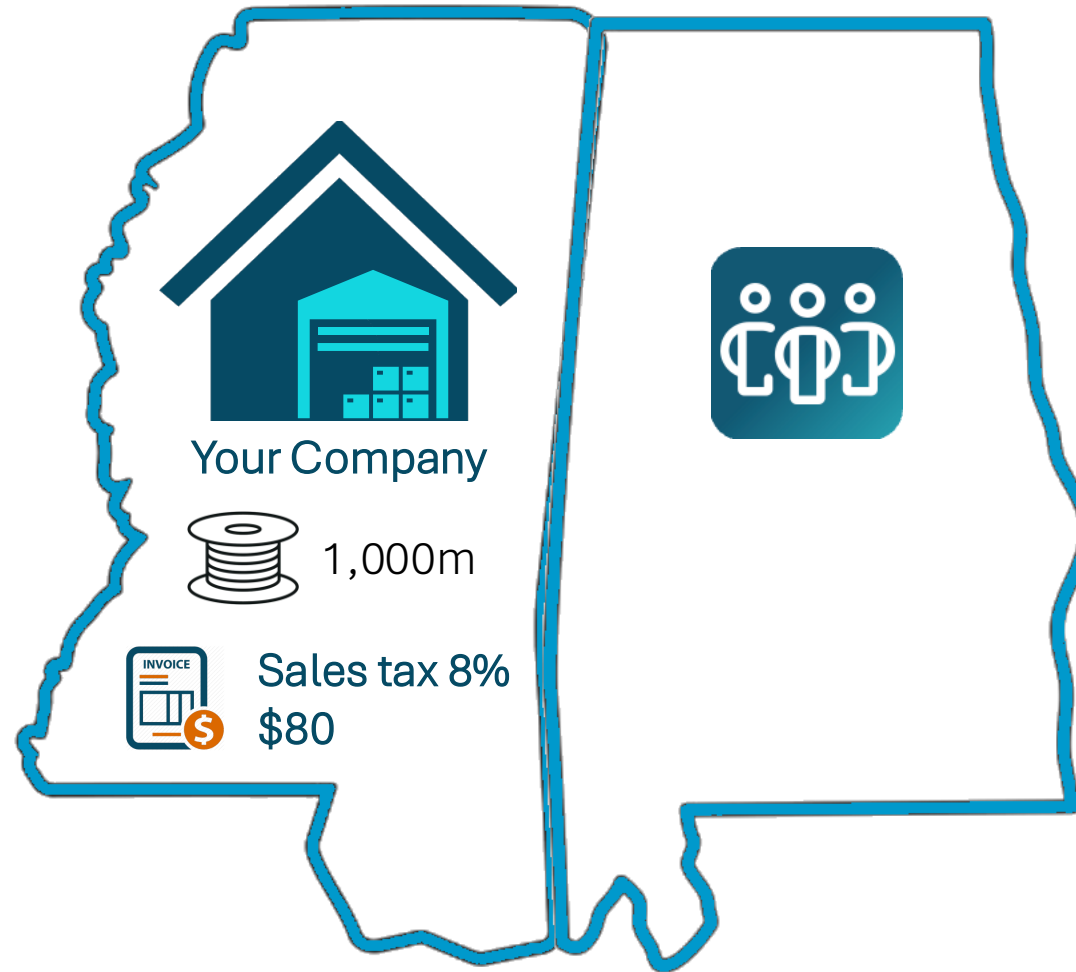
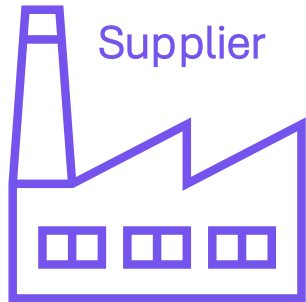
# The problem



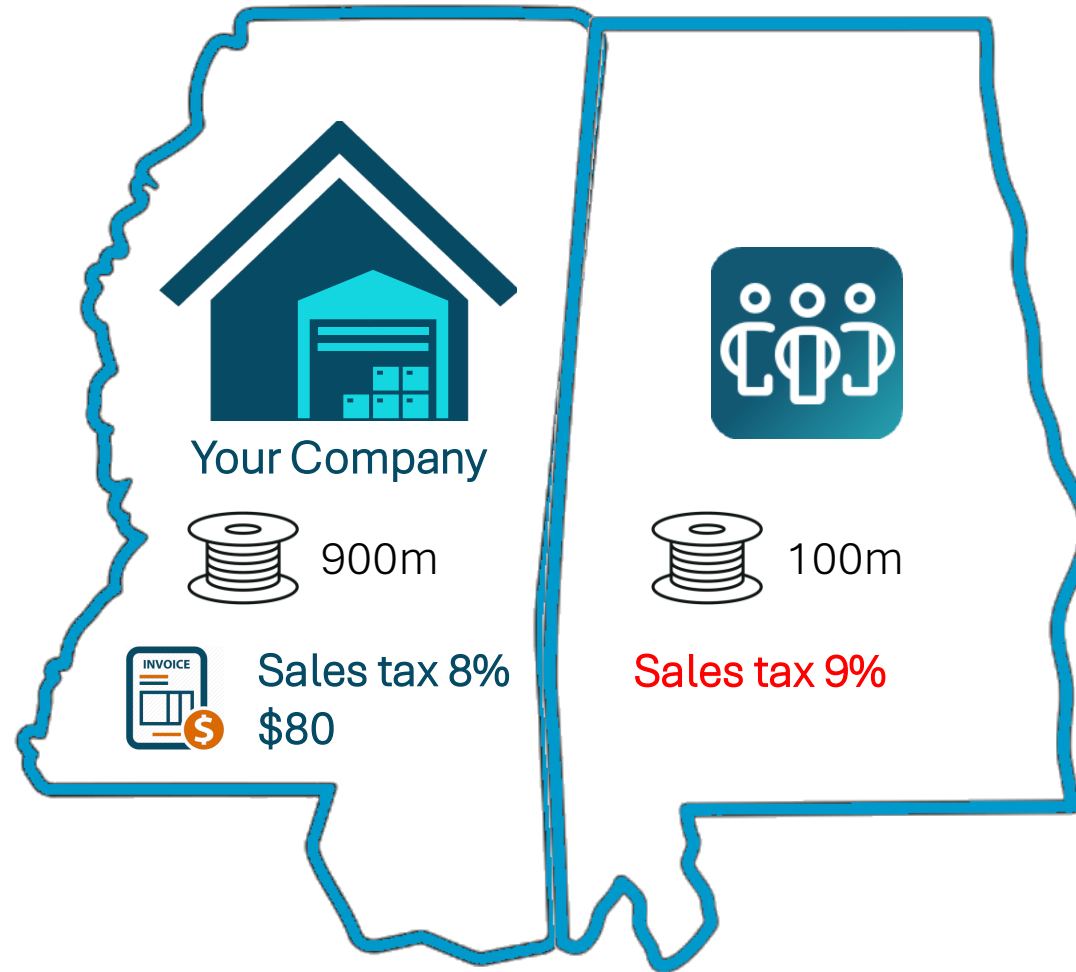
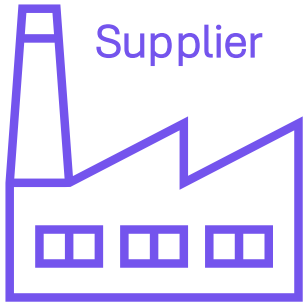
# The problem



# The problem



# The problem



Cannot invoice yourself

Adjust MS tax return  
Adjust AL tax return

# The problem

- Likely to be thousands of transactions that need adjustments
- Paying tax on items that may not be used for months/years
- Stock movement needs tax adjustments
- Delay in rebate in many states
- Need to manually look up each rate
- Manual adjustment means no digital link
- High chance of user error
- Labour intensive, tax team not able to work on other tasks
- Higher chance of audit

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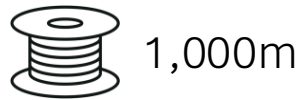


## Solution

Automated, better cashflow,  
accurate and full audit



# The Solution



Buying Company

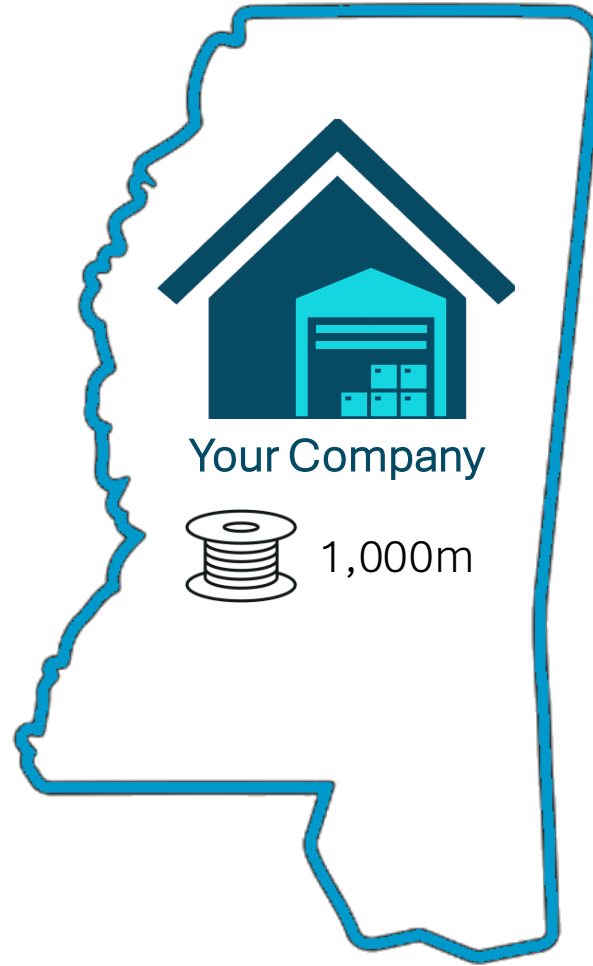


Can use any of your  
existing warehouses

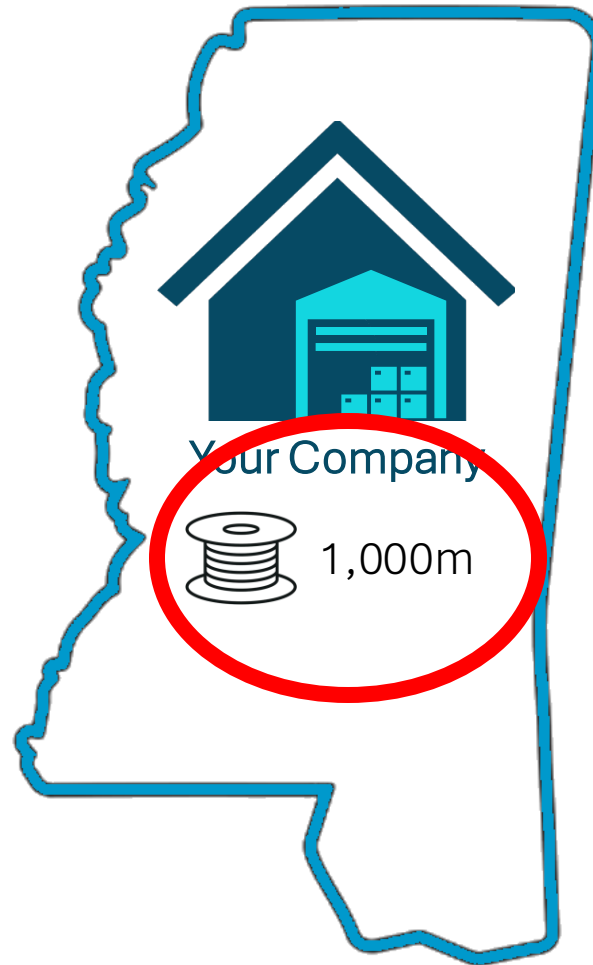
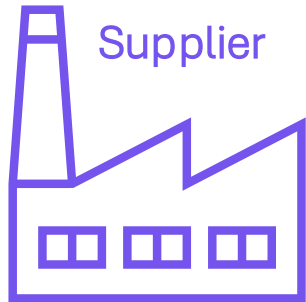
# The Solution



Buying Company



# The Solution



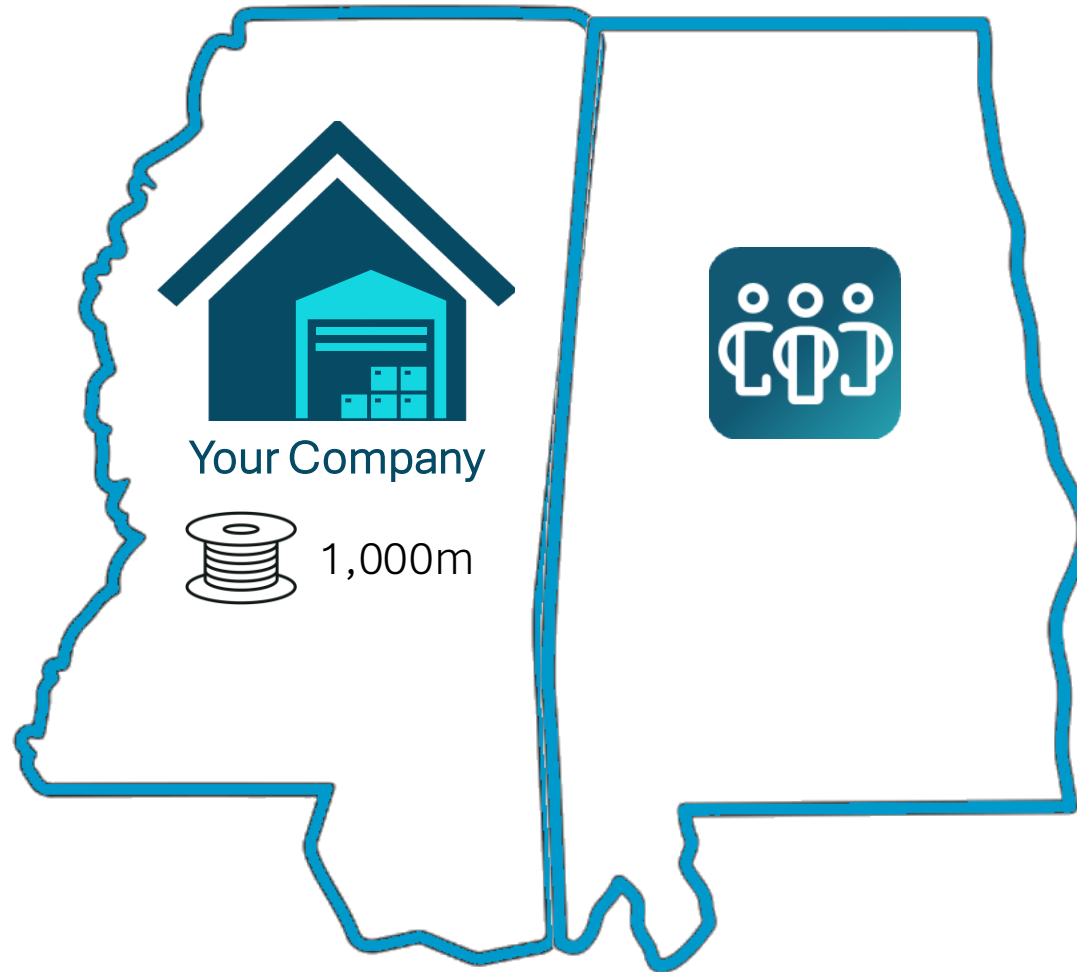
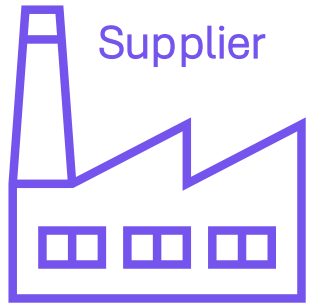
Under reseller exemption certificate, all purchases are exempt from sales tax until they are sold

But goods have still gone to the same place!



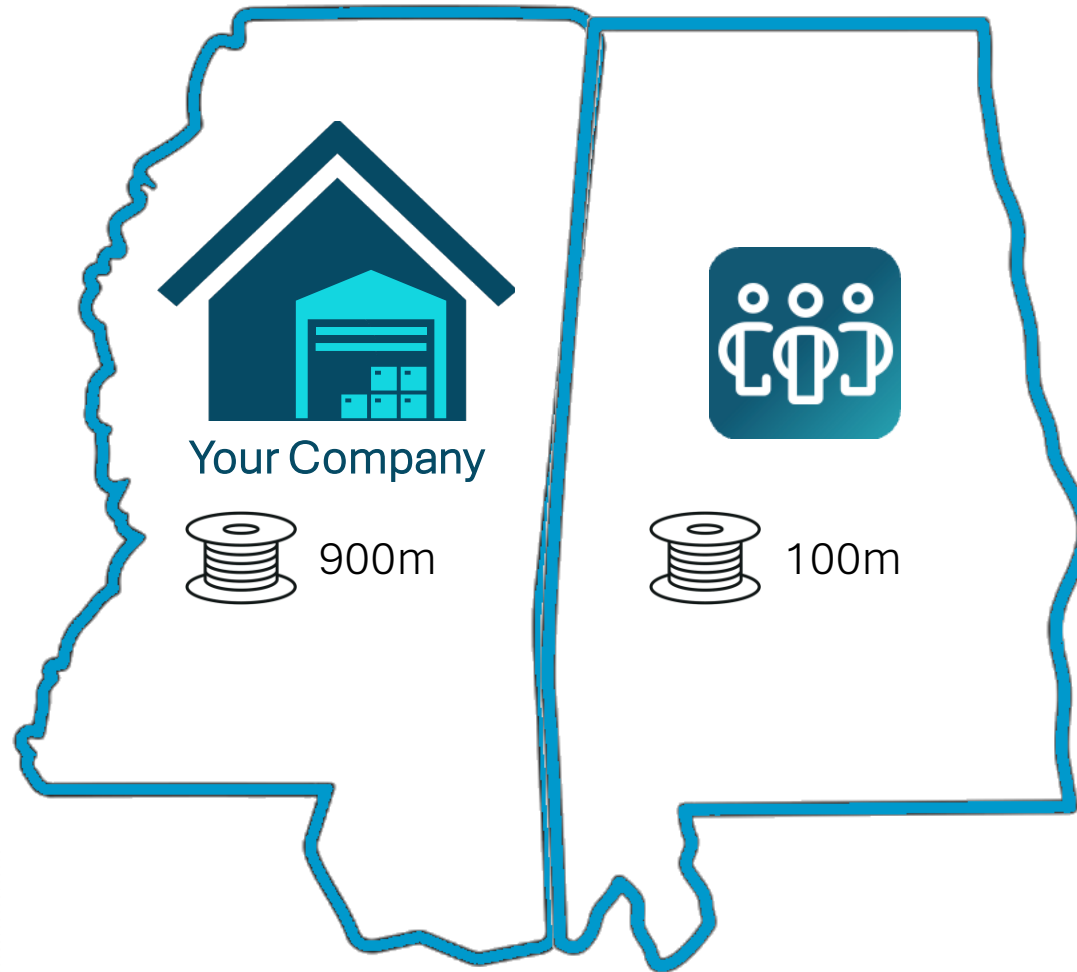
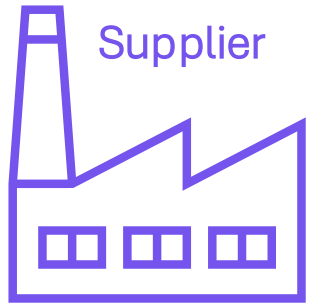
Buying Company

# The Solution

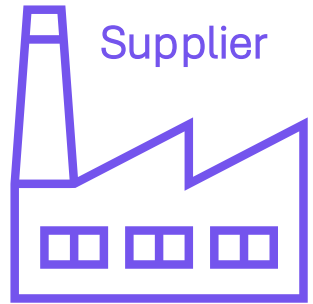


Buying Company

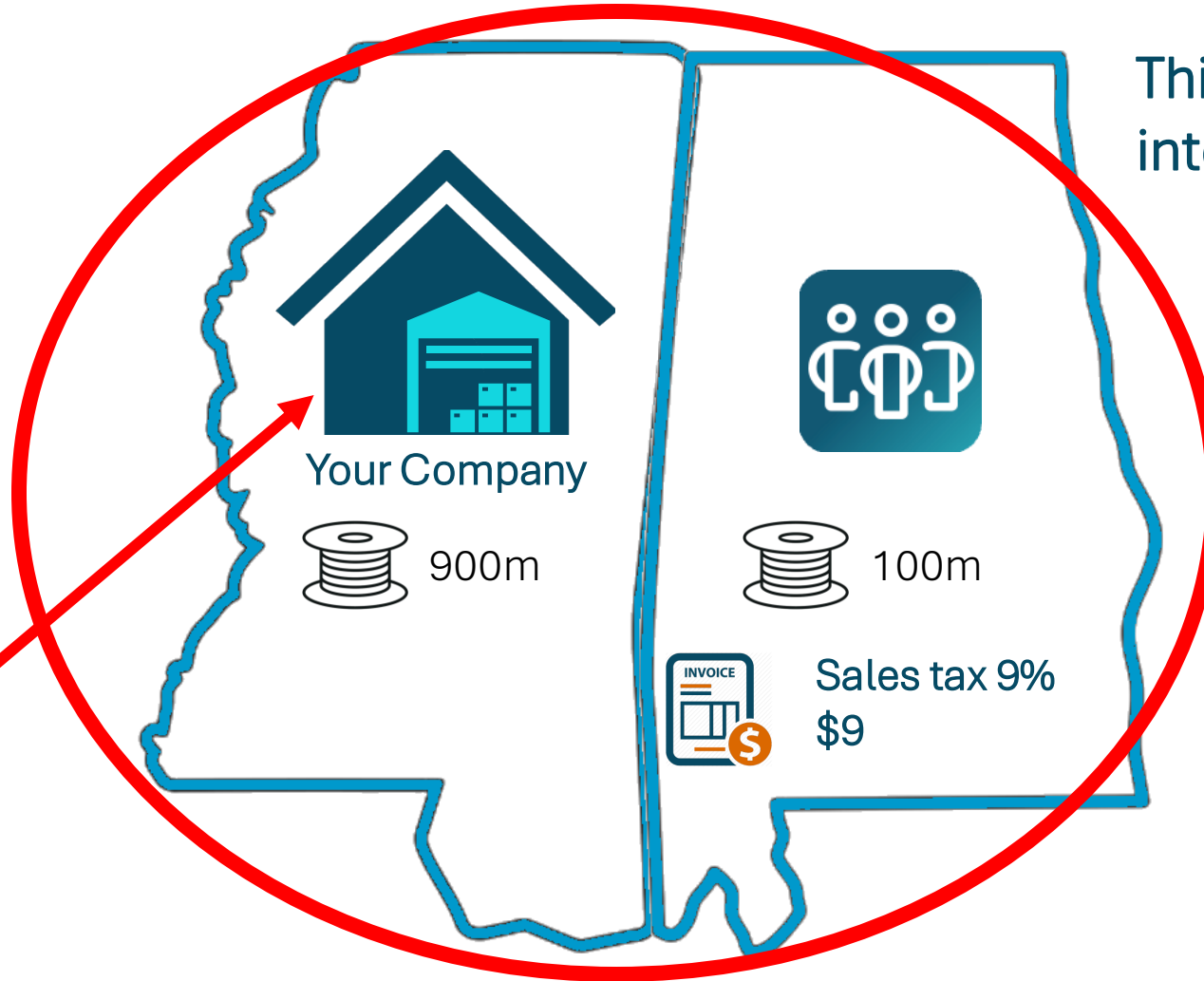
# The Solution



# The Solution

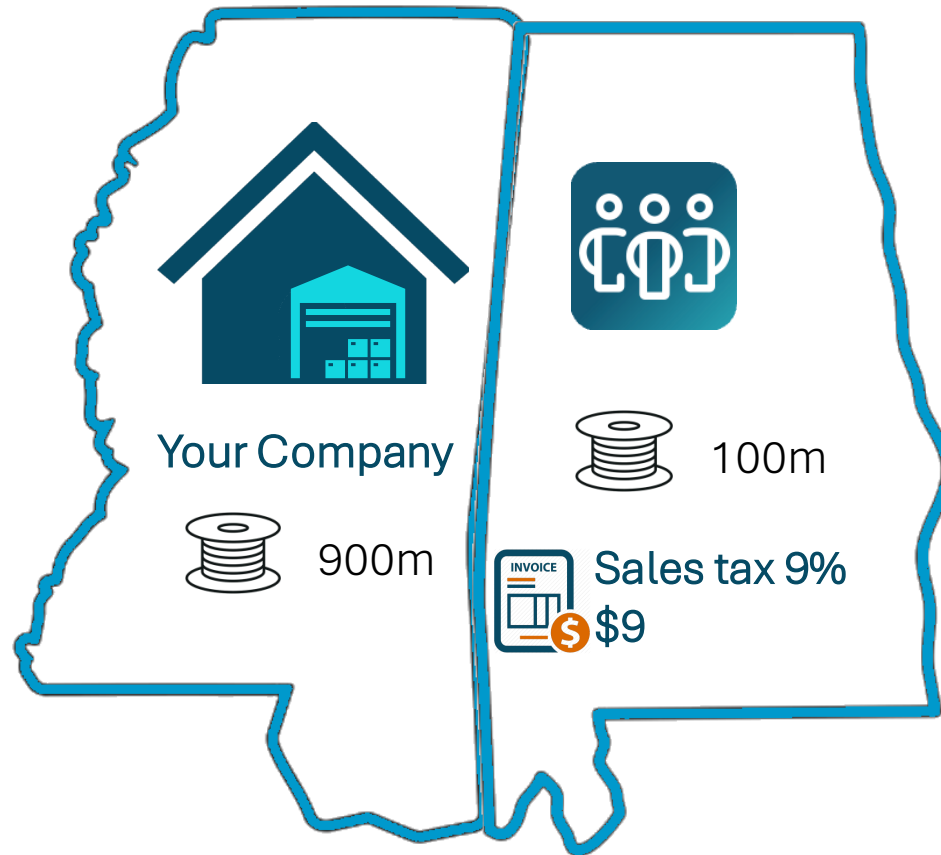
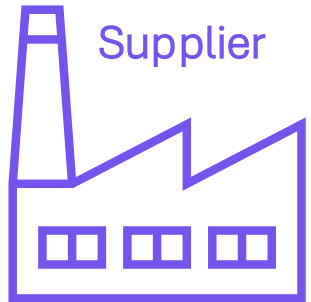


Buying Company



This is possible as  
intercompany transaction

# The Solution



Buying Company

This is possible as intercompany transaction

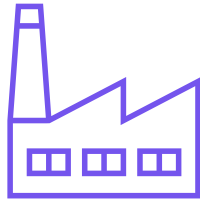
- Ship-From = goods location (MS)
- Ship-To = Project Location (AL)
- Bill-From = Buying Entity (MS)
- Bill-To – Project Company (MS)

Based on tax logic of using the Ship-To, the AL 9% tax rate will automatically be used because the location details are in the intercompany invoice

# The Solution – Tax Automated



## AR Sales



Exempt under resale certificate



Tax automated on sales transaction

## AP Purchase



Tax Automated based on resale exempt certificate



Tax Automated based determining factors including auto determining use tax



# The Solution

- Only determine the tax when the goods are used
- Sales tax only charged when goods are used so improved cashflow
- Store inventory in existing warehouses
- No tax adjustments for stock movements
- No manual adjustments needed
- Saves time
- Full audit trail
- No tax paid on unused inventory
- Standard Oracle intercompany functionality



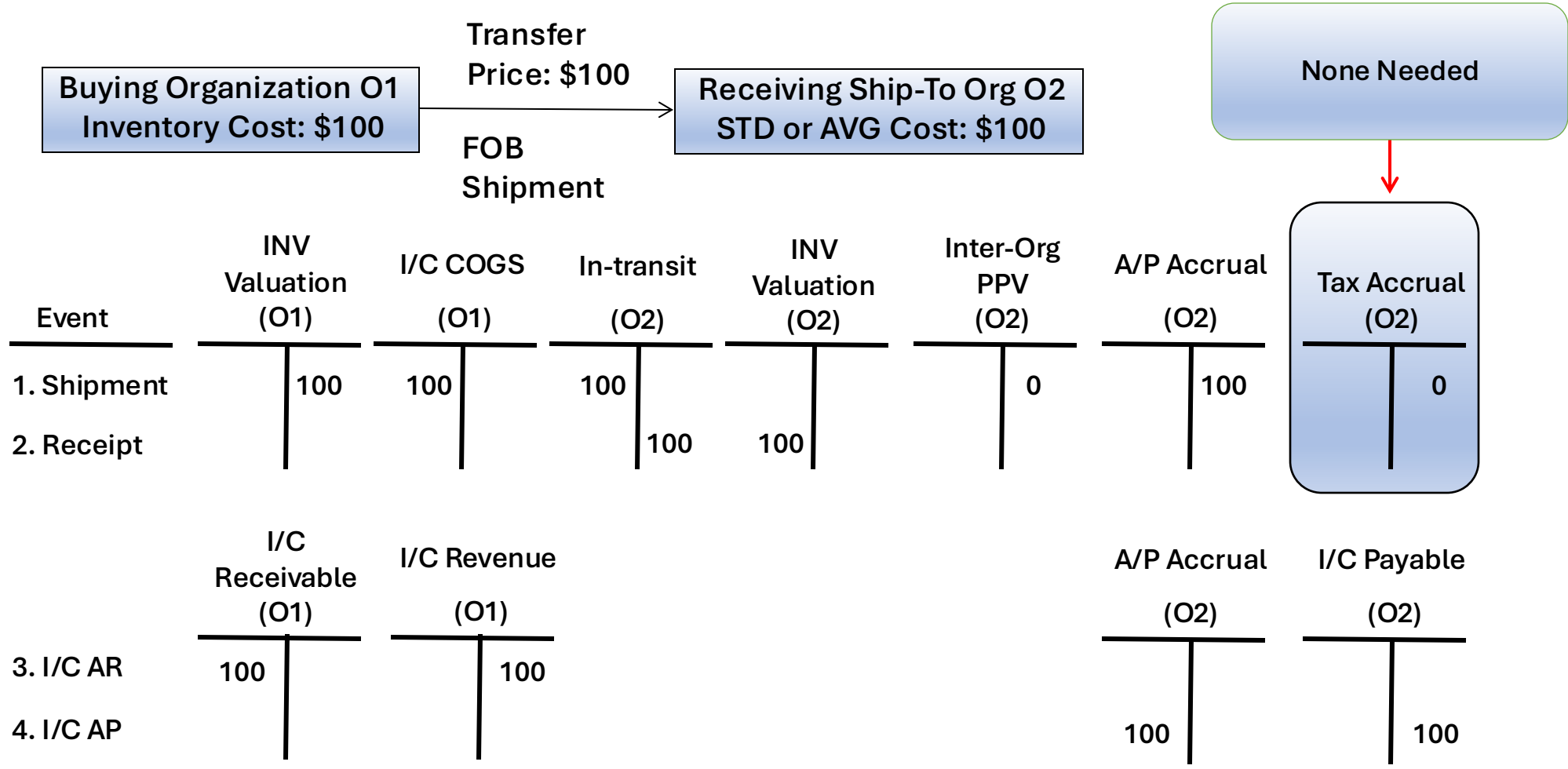
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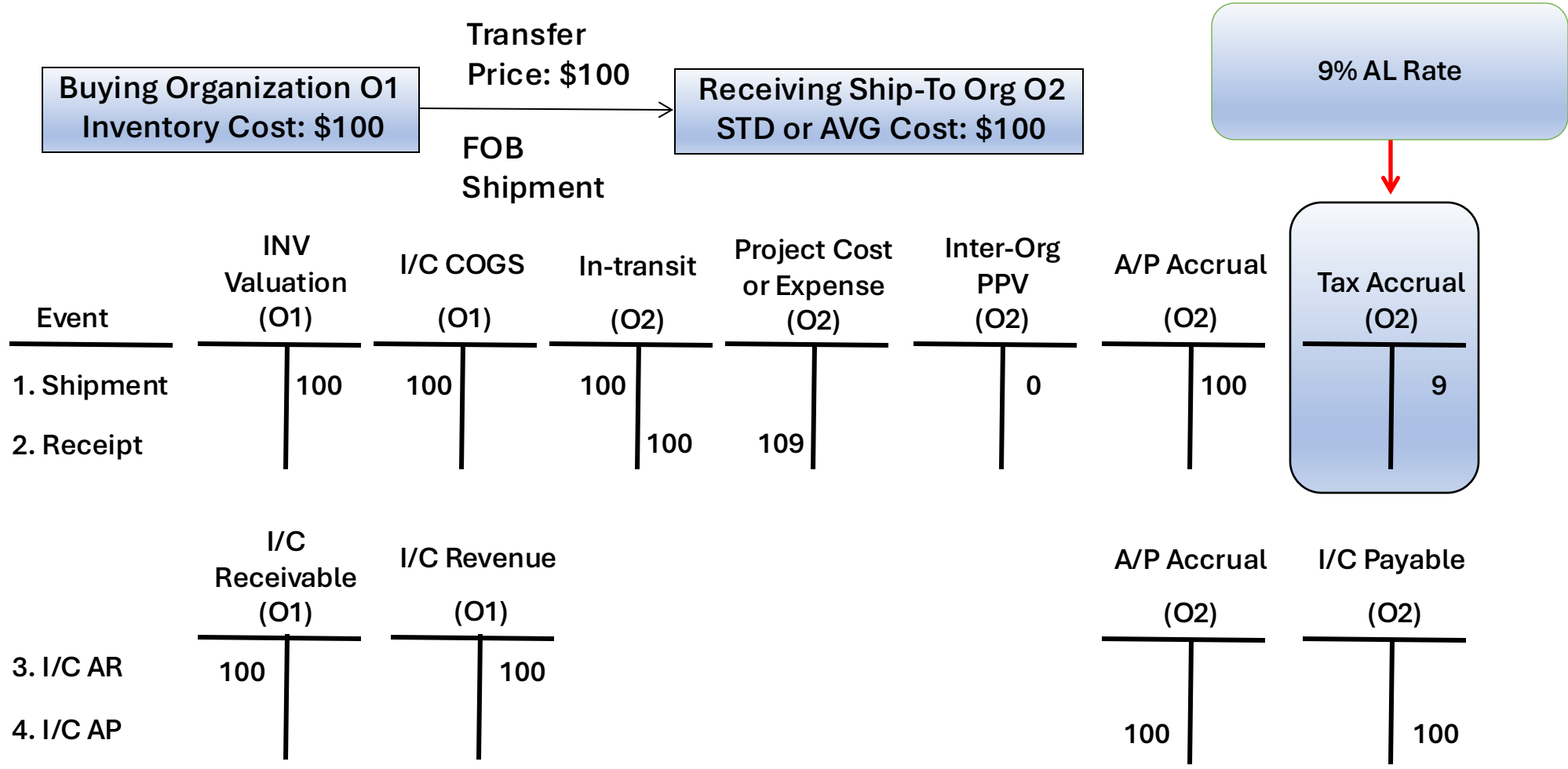
**With every high, there is a low....**

**....lets get creative with the  
accounting**

# 100% for Production or Inventory Resell



# 100% for Internal Consumption



# Split – Not Known Even Upon Transfer



Not Known in advance,  
Use Tax Accrued in separate step

Event	INV Valuation (O1)	I/C COGS (O1)	In-transit (O2)	INV Valuation (O2)	Inter-Org PPV (O2)	A/P Accrual (O2)	Tax Accrual (O2)	Expense or Project (O2)
1. Shipment	100	100	100		0	100		
2. Receipt			100	100				
3. Inv Consumption (to Expense)				10				10.00
5. Use Tax							0.09	0.09

	I/C Receivable (O1)	I/C Revenue (O1)	A/P Accrual (O2)	I/C Payable (O2)
3. I/C AR	100	100		
4. I/C AP			100	100

# Use Tax?

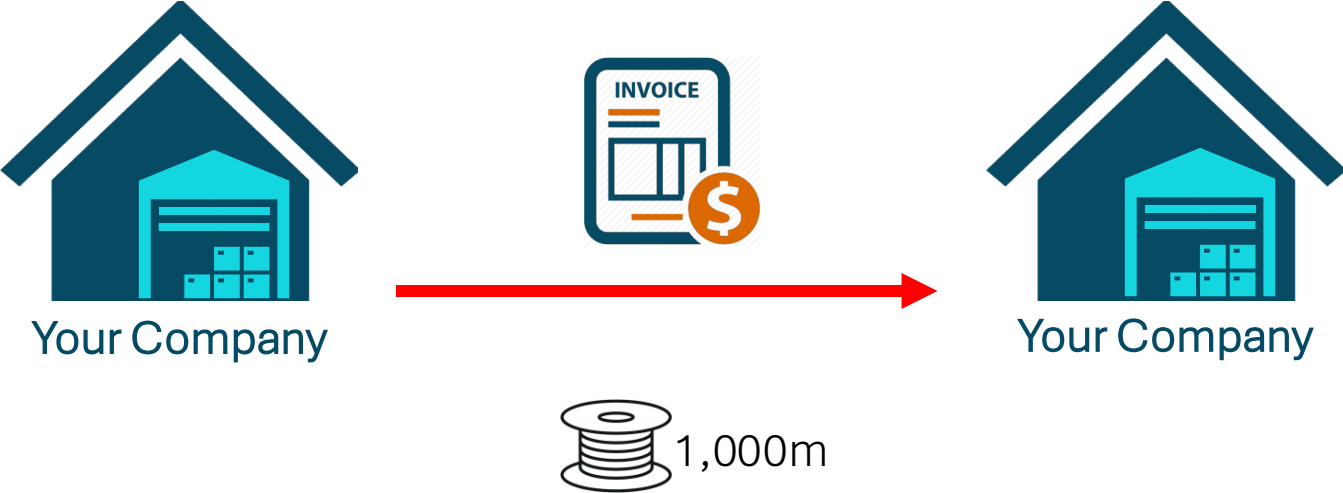


Your Company

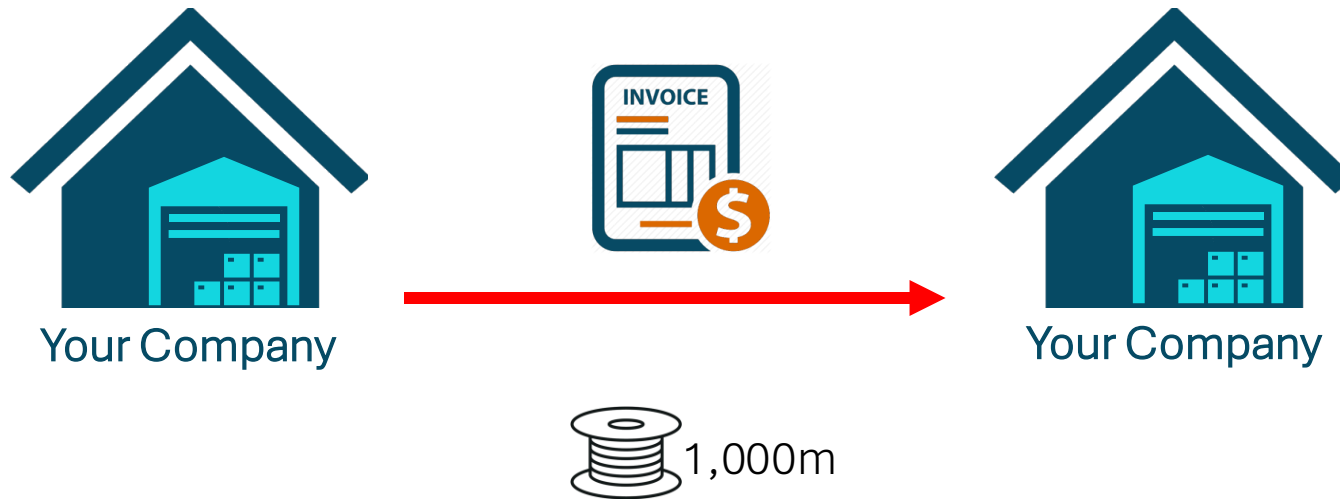


Your Company

# Use Tax?



# Use Tax?



## Considerations

- Use AR internal transaction to trigger tax treatment
- Can determine Use Tax on a sales invoice (see Innovate Tax Solution)
- Special transaction type for internal item use
- Offset Receivables and Revenue
- Use the accessible value field to determine tax only line and use item cost as value



# How to Automatically Accrue Use Tax?

- Buying Entities May Streamline Your Sales & Use Tax Processing & Reporting
- Need to Adjust Solution to Fit Your Scenario
- Oracle eBTax or Cloud Tax can handle all the tax scenarios
  - Tax determining factors will determine the correct rate, if exempt, origin or destination or if sales or use tax is applicable.
- If split, based on projected volume, decide on best approach:
  - Oracle Tax engine can handle scenario or engine 3<sup>rd</sup> party tax engine can
  - Automated, Interfaced G/L journal for accruals (EBS or Cloud)
  - Manual accrual, based on Account Alias Listing
  - Other possibilities for automation, such as RPA (robotic process automation) or some other type of automation

# Summary

- Depends on how you consume the inventory goods
- Configure system to automate the accrual of sales tax based on your scenario
- Buying entities can be very useful for resolving sales and use tax compliance challenges and be a huge time saver.
- Consider the benefit of the Buying Entity vs. the time to manage the Buying Entity
- Let us know if you have further questions (or want to challenge our genius) 😊
- Or get in touch with Doug or Andrew

