Original Article

Anatomy of Sales and Use Tax in Oracle Fusion Applications

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Abstract - Effective management of Sales and Use Tax is vital for ensuring compliance and financial accuracy in modern enterprises operating across multiple jurisdictions. Oracle Fusion Applications address this need through the Fusion Tax module—an integrated, rules-based engine that enables automated tax determination, calculation, and reporting across financial business transactions. This article presents a comprehensive examination of the Sales and Use Tax framework within Oracle Fusion Tax, detailing its architecture, configuration elements, and business applications. It explores key setup components such as tax regimes, jurisdictions, tax rules, and tax applicability logic, demonstrating how these configurations interact with core financial modules like Payables, Receivables, and Procurement. Aimed at implementation partners, business users, and Fusion IT support teams, the article provides both conceptual and practical insights into achieving accurate tax automation, maintaining compliance, and reducing manual intervention. By dissecting the underlying mechanisms and best-practice configurations, this work contributes to a deeper understanding of how Oracle Fusion Tax supports scalable, compliant, and efficient Sales and Use Tax management in enterprise environments.

Keywords - Sales and use tax, Oracle Fusion Applications, Oracle Fusion Tax, Transaction tax, Financials and taxation, implementing Fusion tax module.

1. Introduction

Sales and Use Tax [1][2][3] Management is a critical aspect of financial operations for global enterprises operating across multiple countries and geographies. It is crucial to accurately determine and calculate Sales and Use Taxes not only for the purpose of compliance with regional tax laws but also for maintaining operational efficiency and financial accuracy. Oracle Fusion Tax, which is part of Oracle Fusion Cloud applications, provides a robust framework that enables organizations to manage complex tax requirements. This article aims to provide an in-depth understanding of the key configurations of the Fusion Tax module that are involved in fulfilling business requirements related to Sales and Use Taxes. The discussion includes core components such as tax Regime to rate setup, tax rules, tax determination options, and integration with other fusion modules, offering a comprehensive understanding of the end-to-end tax management process in Oracle Fusion.

2. Sales and Use Tax

Sales and use taxes [4] are one of the common groups of taxes belonging to the category of Indirect Taxes. Such taxes are typically remitted to the government authority by a seller (charged to the buyer at the point of sale) or by a consumer (point of use) for a Sales transaction.
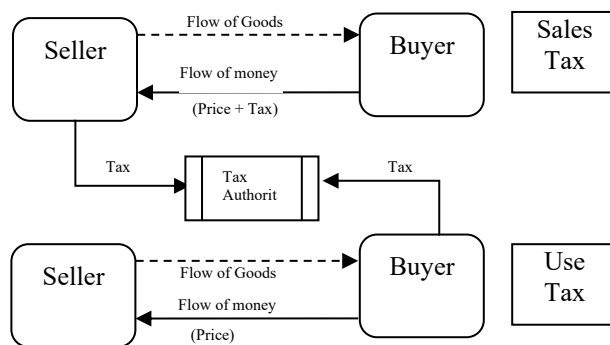

Fig. 1 Sales Tax Vs Use Tax

There are many variations of Sales and Use Tax by countries, e.g., VAT (Value Added Tax) commonly used in European countries, China, and Mexico, GST (Goods and Services Tax) commonly used in Australia, India, and Canada, and Sales Tax and Use Tax used in America. Commonly, they are referred to as Transaction Tax in Oracle Fusion Cloud Application. The table below describes how Sales and Use Tax is referred to by the county.

Commonly, they are referred to as Transaction Tax in Oracle Fusion Applications, which is applied on and associated with specific business transactions, e.g., Accounts

Payables (AP) transactions like Standard Invoice, Prepayment, Account Receivable (AR) transactions like Invoice, Credit Memo, etc.

Table 1. Sales and Use Tax by country

USA	Sales and Use Tax
European Union	VAT (Value Added Tax)
China	VAT (Value Added Tax)
Brazil	Multiple taxes (ICMS, IPI, ISS)
Japan	JCT
Argentina	IVA (Similar to VAT)
South Korea	VAT (Value Added Tax)
India	GST (Goods and Services Tax)
United Kingdom	VAT (Value Added Tax)
Australia	GST (Goods and Services Tax)
New Zealand	GST (Goods and Services Tax)
Canada	GST, HST, CST

3. Fusion Tax as a Common Application

Oracle Fusion Tax Cloud is a common cloud-based application that interacts with other business applications, e.g., Accounts Payables, Accounts Receivables, Procurement, etc. The Fusion Tax Cloud application serves as a Service Provider, and other business applications serve as consumers.
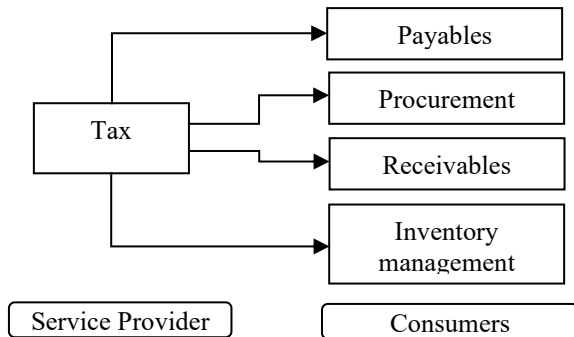
Fig. 2 Fusion Tax as a Service provider

The Fusion Tax cloud application interacts with other core business applications through a set of business transactions. i.e., these business transactions would make a call to the tax cloud application during the transaction life-cycle in order to calculate and apply tax on them. The list of business transactions is shown below.

Table 2. Business Transactions interacting with the Tax module

Purchase Transactions	
Payables	Standard Invoices
	Expense Report
	Prepayment Invoices
Expenses	Employee Expense Report
Purchasing	Purchase Order and Agreement
	Purchase Requisition
	Change Order

Sales Transactions	
Receivables	Invoices
	Credit Memo
	Debit Memo
Inventory Management	Sales Order Shipment
	Transfer Order Shipment
	Return to Supplier Shipment
	Consumption Advice

4. Architecture and Key Components

The materials and methods section should contain sufficient detail so that all procedures can be repeated. It may be divided into headed subsections if several methods are described.

4.1. Regime To Rate Structure

Regime to Rate Structure [5] is a core component of the Fusion Tax application. It comprises entities like Tax Regime, Tax, Tax Jurisdiction, Tax Rate, and Tax Status.
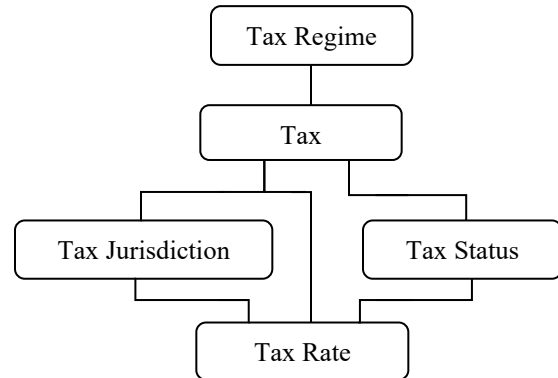
Fig. 3 Regime-to-Rate structure

During the Tax applicability determination process, the Fusion Tax engine derives a specific set of Regime to Rate entities (Tax Regime, Tax, Tax Jurisdiction, Tax Status, and Tax Rate) to be applied on a business transaction.

It is important to note that Fusion Tax comprises two distinct tax functionalities, Transaction Tax and Withholding Tax. While this article only focuses on the Transaction Tax aspect, the Regime to Rate structure is identical for both Transaction Tax and Withholding Tax.

4.1.1. Tax Regime

Tax Regime [6][7] is the highest-level entity in the Regime to Rate structure. Tax regime typically maps with a single country or group of countries (Tax Zone) having uniform Tax treatment, including the same tax currency, within it.

Tax Regime will have a subscription created for the Individual Business Unit (BU) or Legal Entity (LE). This can be configured using Configuration Options on the Tax Regime screen. A subscription must be created for either the BU or LE

level and should not be created for both. By creating a subscription for BU or LE, the Fusion application will include a specific Tax Regime during the evaluation of Taxes for the business transactions pertaining to the given BU or LE.

For example, if a business needs to define a common Tax regime catering to all US-based Business Units and another Tax Regime for a Legal Entity, then you need to define the US Tax regime and create subscriptions for all US-based BUs. Similarly, you need to define an Argentina Tax Regime and create subscriptions for all Argentina-based LEs.

Whether to create a subscription for BU or LE would be determined by the configuration of the Party Tax Profile. The Party Tax Profile is covered in detail later in this article.

The Tax Regime country plays a crucial role in conjunction with the Place of Supply (set at the Tax level), when determining automatic Tax applicability on business transactions. During the Tax applicability determining process, at an initial stage, the Fusion Tax engine would search for a list of Taxes potentially applicable, based on the Tax Regime country matched with the country of all locations associated with a business transaction. For example, for a Payables Invoice with the US-based Business Unit (Bill to location), Mexico-based Ship to Location, and Canada-based supplier (Bill from location), the Fusion Tax engine would consider all Taxes with Regime country as US, Mexico, and Canada for potential applicability. The Tax Regime can be accessed from the Manage Tax Regimes task.

4.1.2. Tax

Tax [8] is the most important entity and the heart of the Regime to Rate structure, and it can be accessed through the Manage Taxes task. Tax comprises core configurations of overall tax functionality. Some of the critical attributes of a Tax entity are listed below and explained in detail in the following sections.
a) Geography Type
b) Enabled for Simulator and Transaction
c) Tax jurisdiction listing
d) Tax Rule Defaults

a) Geography Type

The Oracle Fusion Tax cloud application utilizes Geography entity data, which is part of the Oracle Trading Community Architecture (TCA) and is owned by the Oracle HCM (Human Capital Management) application. Geography entity data includes the Geography structure and the Hierarchy of Geographies for a specific country. For example, for the United States, the Geography Structure would be: Country – State – County – City – Postal code. Tax can be defined at any level of the Geography Structure, which is represented by Geography Type on the Tax level. E.g., for the United States, Sales and use tax is generally levied by State, County, and city-level tax authorities. Therefore, separate Taxes need to be

defined with Geography Type, State, County, and City. Tax Geography Type, along with Place of Supply, plays an important role when determining automatic tax applicability on a business transaction.

b) Enabled for Simulator and Transaction

Tax Attributes "*Enabled for Simulator*" and "*Enabled for Transaction*" are meant to be used during the implementation cycle. After the initial Tax configuration is in place, Tax can be enabled for the Simulator alone without enabling it for Transactions. Such Taxes can be applicable in the Tax Simulator but are not applicable or available for manual application from business transactions.

During the implementation phase, it is recommended to perform testing of Tax functionality using the Tax Simulator task and ensure the Tax is functioning as expected and in line with the Tax configurations. Upon successful testing, Tax can be enabled for transactions. Tax Simulator functionality is covered in detail later in this article. The Tax Simulator can be accessed from the Manage Simulator Transactions task.

c) Tax Jurisdiction Listing

The tax jurisdiction entity is part of the Regime to Rate structure, and it is explained later in this article in detail. The Tax Jurisdictions listing will show all Tax Jurisdictions defined for the Tax at a glance. This is a quicker way to verify if the Tax jurisdiction being expected is defined for this Tax or not.

For example, for a US-based Tax, with Geography Type "State", is expected to be calculated based on the " Default Place of Supply "Bill to, and is expected to be applied on Payables Invoices belonging to a California-based Business Unit (BU) location. In order for this Tax to be applied to the payable invoice as expected. California-based jurisdiction must be defined.

d) Tax Rule Defaults

Tax Rule Defaults configuration maintains a default set of attributes for the Tax. These attributes are a mix of Regime-to-Rate entities (e.g., Tax Jurisdiction, Tax Status, Tax Rate) as well as other attributes (Applicability, Place of Supply, Registration, Taxable Basis Rule, and Tax Calculation Rule) that play a role in the overall Tax determination process. These attributes are listed below;
d.1. Applicability
d.2. Place of Supply
d.3. Registration
d.4. Taxable Basis Rule
d.5. Tax Calculation Rule
d.6. Tax Rate
d.7. Tax Recovery Rate
d.8. Tax Jurisdiction
d.9. Tax Status

Tax rules can be defined for each of these Rule Defaults (except Tax Jurisdiction). They can be defined in relation to a specific Rule Type, which corresponds to the Rule Defaults (e.g., Rule Type "Tax Applicability Rule" for Applicability Default, "Tax Status Rule" for Tax Status Default, and so on). If Tax Rules are defined for a specific Default, then the rules will be evaluated first before returning the values defined at the Default. If no rule is evaluated successfully (i.e., Rule conditions were not met for any of the rules) or there are no rules defined, then the Default value from Tax Rules Defaults will be returned.
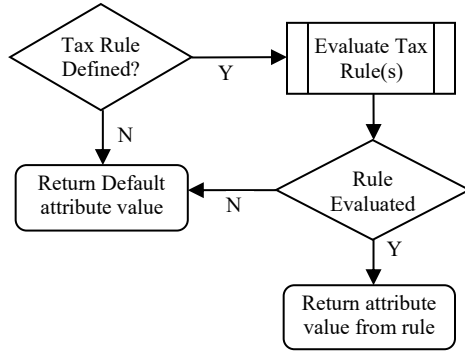

Fig. 4 Tax rules and rule defaults

Tax Rules are explained in detail in a later section of this article.

4.1.3. Tax Jurisdiction
Tax jurisdiction [9] essentially represents a specific physical location in the geography hierarchy on which the Tax is levied. Tax Jurisdiction contains the Geography Type and Geography name that it represents.

The Geography Type at the jurisdiction level must be the same as the Geography Type defined at the Tax level. For example, if there is a Tax defined for the United States with Geography Type as State, when defining Jurisdiction for this Tax, Jurisdiction Geography Type must be selected as State, and Geography Name must be selected as one of the US States. Tax Jurisdiction can be accessed from the Task Manager Tax Jurisdictions.

Tax Jurisdiction uses Geography data, such as Geography Structure (as Geography Type) and Geography Hierarchy (as Geography Name). Geography data is part of Oracle Trading Community Architecture (TCA) and owned by the Fusion HCM application.

During the Tax determination process, the appropriate Tax Jurisdiction will be derived based on the evaluated Place of Supply. For example, for determining Tax applicability for US-based Tax with Geography type "State" on Accounts Payables Invoice, if evaluated Place of Supply is Bill to, the Tax engine will look at the State of BU location and derive

Tax Jurisdiction based on that specific State. Out of all Tax Jurisdictions defined for a Tax, there must be one Tax Jurisdiction marked as a default Jurisdiction.

4.1.4. Tax Rate
Tax Rate [10][11] is the lowest level entity in the Regime to Rate structure. The Tax Rate represents the actual Tax Rate, typically expressed as a percentage that will be applied to the business transaction. Tax Rate can be accessed from the task Manage Tax Rates and Recovery Rates.

Tax Rate must be associated with a Tax Status and can be associated with a Tax Jurisdiction. Out of all non-jurisdiction-based Tax Rates defined for a Tax, there must be one Tax Rate marked as a default Tax Rate. Similarly, out of all Tax Rates associated with a specific Tax Jurisdiction, one must be marked as the default Tax Rate.

Tax Rates can be of two categories. (a) Standard Rate (with rate types of "Percentage"," Quantity"," Unit Price Rate Schedule"), and (b) Recovery Rate. At least one Standard Tax Rate (i.e., Default Tax Rate) must be defined for a Tax, while the Recovery Rate must be defined if the Tax is configured as a Recoverable Tax. Tax recoverability is set at the Tax level via the attribute "Allow Tax Recovery".

During the Tax Rate determination process, in case there is no Tax Rate Rule defined, the Tax engine first derives Tax Jurisdiction based on the determined Place of Supply, then selects the default Tax Rate associated with that Tax Jurisdiction. If there is no such Tax Rate defined, then the Default Tax Rate (as defined in Tax Rule Defaults) will be derived.

4.1.5. Tax Status
Tax Status [12] is used to determine Taxability, i.e., how a product, service, or transaction should be treated for taxation purposes. With a Tax, separate Tax Statuses can be defined based on various taxability situations, such as taxable, exempt, zero-rated, etc. Appropriate Tax Rate must be defined and associated with Tax Status to reflect the taxability situation. Tax Status can be accessed from the Manage Tax Statuses task.

4.2. Party Tax Profile
Party Tax profile [13] configuration defines the Tax Profile of various parties (First Party and Third Party) involved in the Tax Determination process. Some of the key party tax profiles are listed below;

Table 3. Party Tax Profiles by Type

Type	Tax Profile
Internal / First-party	Business Unit Tax Profile
	Legal entity Tax Profile
External / Third-party	Third-Party Tax Profile
	Third-Party Site Tax Profile

First-party Tax profiles play an important role in the Tax Determination process. The tax determination process looks at the Business Unit Tax profile for the Invoice Business Unit. Flag "Use legal entity tax subscription" on Business Unit Tax profile determines which party tax profile (out of Business Unit and Legal Entity) the tax engine should consider in the Tax determination process. If the flag is checked, Legal Entity Tax Profile will be taken into consideration; else, Business Unit Tax Profile will be taken into consideration. Based on this flag, the Tax Regime subscription and Configuration Owner Tax Option will be evaluated. For example, for a Business Unit Tax profile, if "Use legal entity tax subscription" is checked. The Tax engine will look for all Tax Regimes with Legal Entity subscription in place, and also take into consideration Legal Entity-based Configuration Owner Tax Options (COTO) instead of Business Unit-based Regime Subscriptions and COTO. The address associated with the Business Unit Tax profile will be considered as the Bill to address (for Purchase Transactions) or Bill From address (for Sales Transactions). First-party tax profiles are created automatically at the time of creation of the Business Unit and Legal Entity.
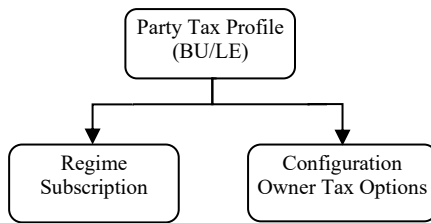

Fig. 5 Party Tax profile usage

Third-party Tax profile represents external parties such as the Supplier and Customer. A third-party Tax profile can be defined at the Party level and Party site level. A third-party tax profile can be used to control Tax applicability at the Third-party level. For example, if the business requirement is to exclude certain suppliers from Tax calculation, then the flag "Allow Tax Applicability" should be unchecked for such suppliers' Party Tax Profile. Third-party Tax profile is an optional configuration, and it will not be created automatically upon creation of Supplier and Customer. If no Third-Party Tax Profile is defined for a Supplier or Customer, then Tax applicability is enabled for them by default. The Party Tax Profile can be accessed from the task Manage Party Tax Profiles.

4.3. Configuration Owner Tax Options
Configuration Owner Tax Options [14] (also known as COTO in short) defines Tax Options for a specific Configuration Owner (such as Business Unit or Legal Entity) and an Event Class (such as Payables Standard Invoice).

Whether the COTO should be defined for Business Unit or Legal Entity is determined by the status of the flag "Use legal entity tax subscription" at the Business Unit Party Tax Profile.

Table 4. Applications and Event classes

Application	Event Class
Payables	Standard Invoices
	Expense Report
	Prepayment Invoices
Expenses	Employee Expense Report
Purchasing	Purchase Order and Agreement for Enterprise Tax
	Purchase Requisition for Enterprise Tax
	Change Orders for Enterprise Tax
Receivables	Invoice
	Credit Memo
	Debit Memo
Inventory Management	Sales Order Shipment
	Transfer Order Shipment
	Return to Supplier Shipment
	Consumption Advice
Tax	Purchase Transaction
	Sales Transaction
	Purchase Journal
	Sales Journal
	Purchase Adjustment
	Sales Adjustment

It is important to differentiate between the Configuration Owner set at various Tax entities, such as Tax, Tax Status, Tax Rate, and Tax Rule, and the Configuration Owner set at COTO. For Tax entities, the Configuration Owner can be set as Business Unit, Legal Entity, or Global Configuration Owner. However, Configuration Owner Tax Options cannot be defined for Global Configuration Owner.

Configuration Owner Tax Options can be accessed from the Manage Configuration Owner Tax Options task. Once defined, Configuration Owner Tax Options cannot be modified. However, it can be end-dated to allow the creation of a new Configuration Owner Tax Options record with appropriate updates.

Configuration Owner Tax Options maintains some of the important attributes from a Tax determination process perspective, such as Allow Tax Applicability, Regime Determination Set, and Tax Tolerance.

4.3.1. Allow Tax Applicability
The Allow Tax Applicability attribute can be unchecked if Tax must not be calculated automatically for a combination of Configuration Owner and Event Class.

4.3.2. Regime Determination Set
The Regime Determination Set can be set to one of three options as mentioned below.

4.3.3. Standard Tax Classification Code

This is the simplest among all the options. When chosen, the Tax applicability will be driven solely based on the "Tax Classification Code" attribute specified at the business transaction line level. This option will not take into consideration any Tax rules that are in place. This option is suitable for organizations with simpler Tax applicability requirements and who do not need very complex and rule-based Tax configurations.

4.3.4. Determine Application Tax Regimes

This is the most common option. It will make full use of various Fusion Tax configurations to fulfil complex business requirements. When this option is chosen, appropriate Tax Rules can be defined based on various Tax determinants available at the business transaction level as well as transaction line level.

4.3.5. Calculate Tax by Tax Provider

This option enabled the use of Third-party Tax service providers to be integrated with Fusion applications. When this option is chosen, the Tax processing, including regime-to-rate determination, will take place in a third-party application. However, an appropriate Regime to rate entity data must still be defined in the Fusion Tax module.

4.3.6. Tax Tolerance

Tax Tolerance can be maintained in percentage and amount. This is only applicable for payables event classes. This will control manual overriding of the Tax rate or Tax amount from the User Interface (UI). User will not be able to override Tax Rate or Tax Amount more than the tolerance set. For example, if a Payables invoice with a line amount of 100 has a calculated tax of 20 with a 20% rate applied and the Tax Tolerance is set as 10%, the tax amount allowed to be modified is between 18 and 22.

4.4. Tax Rules

Tax rules [15] provide the ability to implement complex business logic for Regime to Rate determination and Tax calculation on business transactions. Tax Rule utilizes various attributes at the transaction header and line level, known as Tax Determinants, to build such logic.

There are different types of Tax rules as listed below.

Table 5. Tax Rule Type and Results

Rule Type	Result
Applicability Rule	Applicable / Not Applicable
Place of Supply Rule	Bill To, Ship to, Bill From, Ship from, Ship to, if not, then Bill to
Direct Tax Rate Rue	Tax Rate, Tax Status
Tax Rate Rule	Tax Rate
Tax Status Rule	Tax Status
Tax Registration Rule	Tax Registration

Taxable Basis Rule	Taxable basis formula
Tax Calculation Rule	Tax Calculation Formula
Tax Recovery Rate Rule	Recovery Rate
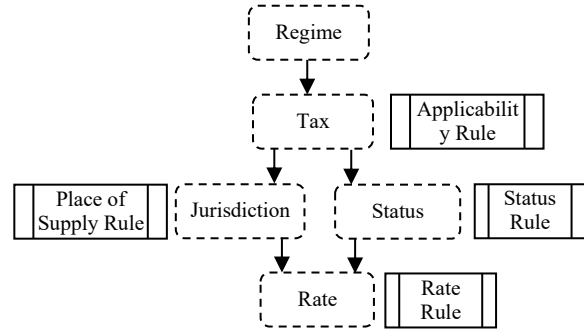
Fig. 6 Tax rule and rule defaults

During the Tax determination process, the Fusion Tax engine performs Regime-to-Rate determination. Tax Regime and Tax are derived based on the Tax applicability rule. Similarly, Tax Status is derived based on the Tax Status rule, Tax Rate is derived based on the Tax Rate rule, Tax Recovery Rate is derived based on the Recovery rate rule, and Tax jurisdiction is derived based on the Place of Supply rule. The tax registration rule can be used to enable Tax as a self-assessed tax. The taxable basis rule can be used to modify the Taxable basis amount. Taxable basis is the amount on which the tax rate will be applied to determine the Tax amount.

$$\text{Taxable basis} * (\text{Tax Rate} / 100) = \text{Tax amount}$$

By default, the taxable basis will be the same as the transaction line amount. The taxable basis rule will return a specific Taxable basis formula, which can be configured using the task Manage Tax Formulas. Similarly, the Tax Calculation rule will return the Tax Calculation Formula, and it can be used to modify the resulting Tax amount.

Tax rule consists of one or many Tax Condition sets, and each Tax Condition set consists of one or many Tax conditions. Each Tax condition forms a logical expression by combining Tax determinants with a logical operator. The logical expression can be evaluated with a result of True (success) or False (failure). If all Tax conditions within a Tax Condition Set evaluate with Result True, then that condition set will be considered, and the corresponding Result(s) (as mentioned in table 5) will be returned by the Tax engine. The tax engine will stop further processing within that rule once a Tax condition set is successfully evaluated.

If there is no tax rule defined or the rules are defined but none of them result in success, then the values defined in Tax

Rule Defaults will be considered and returned by the Tax engine.

The Place of Supply [16] rule determines "Place of Supply", which is basically a pointer that points to one of the physical locations associated with a business transaction. The geography associated with the location "pointed" by the derived Place Of Supply will then be used to derive the Tax Jurisdiction.

For example, for a Payables invoice, during the process of determining US State-level tax, if the Place of Supply result is "Ship to", the Tax engine looks at the Invoice line level ship to location and derives the State associated with that location. Then it looks for the Tax jurisdiction defined for that State. If no jurisdiction is defined for the Ship to location State, then the tax will not be applied.

Table 6. Place of supply business transactions mapping

Place of Supply	Purchase Transaction	Sales Transaction
Bill To	Business Unit Location	Customer Billing Location
Ship To	Ship to Location*	Customer Shipping Location
Bill From	Supplier Billing Location	Business Unit location
Ship From	Supplier Shipping Location	Ship from Location*

*Ship to and Ship from locations refer to locations specified at the business transaction line level. E.g., Payables invoice, Sales Order

5. Other Key Aspects
5.1. Self-Assess Tax

Tax can be configured as Self-assessed [17] for certain business transactions as per business requirements. It is represented by the "Self-assessed" flag on the business transaction screen in the user interface (UI).

Self-assessed tax can be used to fulfill the business requirement of "Use Tax" [18] in a Purchase transaction. In this case, the seller does not charge Sales Tax at the point of Sale, potentially because the seller is a foreign supplier and not registered to collect Tax in the country of the Tax Regime. Alternatively, the seller does charge Sales Tax; however, the Tax rate charged is lower than the prevailing tax rate for the business transaction, and therefore, the buyer organization needs to self-assess the differential tax rate and pay it directly to the Tax Authority.

The Tax amount for Self-assessed Tax is not included in the total amount of a business transaction and will not be included in supplier payments. Instead, it will be paid to the Tax authority directly.

Self-assessed Tax can be configured by defining a Tax Registration Rule that returns "First Party Tax Registration Number" and enabling the attribute "Set as self-assessment (reverse charge)" at Tax Registration of Legal Reporting Unit (LRU) Tax Profile.

For an imported Payables invoice, with Tax lines already added into it, attribute "Perform additional applicability form imported documents" at the Configuration Owner Tax Option level can be enabled to re-calculate the Tax. If calculated Tax is higher than the one charged by the supplier (i.e., coming from an imported invoice), then Fusion Tax will apply the difference as Self-assessed tax. In this case, self-assessed tax will also be applied if there is a Tax determined to be applicable but not included in the imported invoice.

5.2. Inclusive Tax

Inclusive tax [17] is used in business transactions such as the Employee Expense Report. It represents a business scenario where the Tax amount is included in the transaction line amount instead of being a separate amount. When inclusive Tax is applied on a business transaction, the header amount will remain unchanged; instead, tax will be included in the transaction line amount, which will result in a reduction in the Taxable basis.

Line amount = Taxable basis amount + Tax amount

Table 7. Inclusive tax calculation

Line num	Line Type	Line Amt	Taxable basis
1	Item	100	80
	Tax	20	
	Header Amount	100	

Table 8. Non-inclusive tax calculation

Line num	Line Type	Line Amt	Taxable basis
1	Item	100	100
2	Tax	20	
	Header Amount	120	

Tax inclusiveness can be controlled at the Tax rate level using the attribute "Tax Inclusion Method". This attribute will not be taken into consideration for transactions with the event class Employee Expense Report, as The Tax on employee expense reports will always be applied inclusively.

5.3. Tax Simulator

Tax Simulator [19] can serve as a useful tool for Tax configuration in advance before implementing it in a live/production environment. Tax Simulator can be accessed from the task Manage Simulator Transactions. The tax simulator will consider all the Taxes defined in the system with the attribute "*Enabled for Simulator*" enabled.

Tax simulator can be used independently (without a business transaction already created) or to analyse Tax applicability on a specific business transaction. Tax Attributes "*Enabled for Simulator*" and "*Enabled for Transaction*" are meant to be used during the implementation cycle. After the initial Tax configuration is in place, Tax can be enabled for the Simulator alone without enabling it for Transactions. Such Taxes can be applicable in the Tax Simulator but are not applicable or available for manual application from business transactions. During the implementation phase, it is recommended to perform testing of Tax functionality using the Tax Simulator task and ensure the Tax is functioning as expected and in line with the Tax configurations. Upon successful testing, Tax can be enabled.

When the option Simulator Transactions is selected, one can review tax processing details for an existing business transaction, such as Payables Standard invoice, Purchase order, etc. This can be achieved by selecting the Source as the appropriate business transaction source. Alternatively, one can determine tax processing results for a potential business transaction which is not been created in the application yet. This can be done by selecting 'Source' as 'Tax Simulator'.

6. Conclusion

Accurate calculation of Sales and Use Tax is a crucial business function for global organizations dealing with the purchase and sale of goods and services. It not only impacts an organization's relationship with business stakeholders such as Suppliers and Customers, but also is vital from a legal compliance and reporting perspective. Oracle Fusion Tax application, which is seamlessly integrated with other Fusion Financials modules, provides a robust and configurable framework capable of addressing complex and dynamic taxation requirements across jurisdictions. A thorough and in-depth understanding of Oracle Fusion Tax Cloud Application is therefore essential for system implementers, application support teams, and business users alike. Such proficiency not only ensures accurate tax handling but also enhances process efficiency, reduces compliance risk, and strengthens the organization's overall financial governance.

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