What is Sales Tax (Output Tax), Purchase Tax (Input Tax) in SAP

What is Sales Tax and Purchase Tax in SAP?

Input tax (Purchase Tax) is levied on all types of purchases and output tax (Sales Tax) is levied on all types of sales. Every country follow its own sales tax, purchase tax procedure. Government can levy the taxes and changes the procedure from time to time as per the tax plan for the nation. There are two tier in tax jurisdiction i.e.

1. Country level
2. State Level

Examples of Purchases and Sales are

1. Purchases: local purchase, within or outside state purchase, VAT purchase, LST purchases, etc.
2. Sales: – Local Sales, VAT Sales, within state sales, Outside state sales, etc.

How do we calculate sales tax and purchase tax

If we have purchased material for 100 within state and sold for 200 within state or outside state, let us calculate how the taxes are levied on sales and purchases.

For Purchases

	Within State	**Outside State**
Basic Price	1oo	100
Excise duty	8	8
Basic+Excise	108	108
Vat 5%	5.4	0
CST – 2% (C Form)		2.4
Bill Amount	**113.4**	**110.16**

For Sales

	Within State	Outside State
Basic Price	2oo	200
Excise duty – 10% on basic price	20	20
Basic+Excise	220	220

Payments to Sales Tax Department

1. Local Sales – Local Purchase: 31.9 – 5.5 = 26.4
2. Local Sales – CST Purchases: 79.75 – 0 = 79.5
3. CST Sales – CST Purchases: 4.4 -0 = 4.4

- Tax paid on outside state purchases cannot be adjusted against the tax collected on local state sales or outside state sales
- Tax paid within sate on purchases can be adjusted with against tax collected on local sales/ outside state sales.

SAP system provides tax version as per country level. We need to customize the tax procedures as per the organizational requirements. Major part of TAX customization will be done by MM consultant and SD consultant, however it is mandatory as the SAP FICO consultant should know about the outline configurations of the taxes.

Some of the important tax configurations are

1. Define tax procedure
2. Assign country to calculation procedure
3. Define condition types
4. Assign tax codes for non taxable transactions
5. Create tax code for sales/purchases.

SAP FICO Training

- SAP FICO Tutorials

SAP FICO - Introduction

- SAP Financial Accounting
- What is SAP FICO
- What is client in SAP

SAP FICO - Enterprise Structure

- Define Company in SAP
- Define Company Code in SAP
- Assign company code to company in SAP
- Define business area and consolidation business area in SAP

- Assign business area to consolidated business area in SAP
- Define credit control area in SAP
- Assign company code to credit control area in SAP
- Define functional area in SAP
- Maintain Financial Management Area in SAP
- Assign financial management area to company code in SAP
- How to create segments in SAP

SAP FICO - Global Parameters

- What is Chart of accounts and how to create COA in SAP?
- Assign company code to chart of accounts
- What is Fiscal year in SAP?
- How to maintain fiscal year variant
- Assign company code to fiscal year variant
- Define account group in SAP
- Define retained earnings account
- Define posting period variant (PPV)
- Assign variants to company code in SAP
- Open and closing posting period variants
- Define field status variant and field status groups in FICO
- Assign company code to field status variant
- Define Tolerance group for G/L accounts
- Define Tolerance group for employees
- Check company code global parameters

SAP FICO - Foreign Currency Transactions

- Check exchange rate types
- Define translation ratios for currency translation
- How to maintain exchange rates in SAP
- Define accounts for exchange rate differences
- Define foreign currency valuation methods
- Define accounting principles and assign to ledger group
- Define valuation areas and assign to accounting principles

SAP FICO - New G/L Accounting

- How to activate new G/L accounting?
- Define ledgers for general ledger accounting

- Define currencies for leading currency
- Define & Activate Non-Leading Ledgers
- Define Zero-balance clearing account
- Define interest calculation types
- Define interest indicator

SAP FICO - Accounts Receivable

- Define account group for customers
- Maintain number ranges for customer account groups
- Assign number ranges to customer account groups
- Define risk categories
- Define tolerance group for Customers
- Create sundry debtors accounts
- Define Customer Master Record

SAP FICO - Accounts Payable

- What is Accounts Payable in SAP?
- Define vendor account groups
- Maintain number range intervals for vendor accounts
- Assign number ranges to vendor account groups
- Create payment terms
- Define accounts for cash discount taken
- Define Vendor reconciliation account
- Create vendor code

SAP FICO - Tax on Sales and Purchases

- What is Sales tax and Purchase tax in SAP?
- Define tax calculation procedures
- Assign country to calculation procedure
- Assign tax codes for non taxable transactions
- Maintain tax codes for sales and purchases
- Define tax accounts in SAP

SAP FICO - Bank Accounting

- What is Bank Accounting in SAP?
- Define bank key
- Define house bank in SAP

- Create check lots
- Automatic payment program

SAP FICO - Asset Accounting

- What is Asset Accounting in SAP?
- Define Chart of Depreciation
- Assign chart of depreciation to company code
- Specify Account Determination
- Number range intervals for Assets
- Maintain Asset Classes
- Define tax accounts in SAP

SAP Controlling Training

- SAP CO Tutorials

SAP TCodes

- SAP TCodes
- SAP FI TCodes