

## **Sales Taxes & Currency Exchange Rates**

Sales taxes and currency exchange rates have been designed in *The Retail Controller* to be flexible and apply to a broad spectrum of individual user needs. These needs depend on the user's location (whether in Canada or the US), local tax laws and requirements, and individual site's needs. This bulletin will address these issues in the broadest sense, allowing each user to set up and maintain sales taxes and exchange rates as these are changed.

### **Sales Taxes:**

Sales taxes appear within the TRC software as either GST/PST (Canada) or Tax1/Tax2 (USA). How it appears is dependent on the setting of Flag 115 (F115 on the menu) – set this to 'N' for businesses setup and operating in Canada and 'Y' for those in the USA. When Flag 115 is set to N, Point-of-Sale identifies the sales taxes as GST and PST, otherwise as Tax1 and Tax2, respectively.

For maximum flexibility, sales tax rates are set in several locations within the software. Changes in sales tax rates need to be done in each of these locations, as indicated below.

If operating in the USA, substitute Tax1 for GST and Tax2 for PST in the following descriptions.

#### *Flag Settings:*

- F022/F023 – Default tax rates are set in Flags 22 and 23. For example, if the GST rate is 7.0% and PST is 5.0%, F022 = 7.0 and F023 = 5.0 .
- F027 – If the environmental levees are subject to GST in the seller's jurisdiction, set Flag 27 to Y, otherwise set it to N.
- F028 – Handles regulations stipulating that contractors pay PST only on the cost of goods purchased, rather than on the purchase price. Set the flag to 'Y' to

activate this feature. This will then apply to all customers with a customer class of CONTRAC.

- F072 – If the GST is to be applied to PST as well, then set Flag 72 to C, otherwise set to P or leave blank.
- F185 – If there is a smallest amount below which no PST is applied, set this in Flag 185. Otherwise, the PST is applied to all amounts.
- F233 – GST rate to be used in Account Payable Supplier Invoice Entry is set by Flag 233. This is only relevant if MFA Accounting is used.
- F279 – This is the default taxcode used by inventory setup, ex. YYYY. Can also be set at BFNCBM on the menu (this is preferable and much more flexible).
- F365 – This flag determines how EPD (Early Payment Discount) is handled with respect to sales taxes. Assume the invoice is for \$40 + \$5 tax, and that the EPD is 10%. If the flag is set to 'N', the discount is based on the pre-tax amount, or \$4.00 in this example. If the flag is set to 'Y', taxes are also included on the EPD, so the EPD is 10% of the full invoice, or \$4.50 in this example.
- F368 – Set to 'Y' to use the customer's county tax rate instead of their provincial/state tax rate, or the seller's local tax rates.
- F390 – Set to 'Y' to disable the toggling of tax exempt status for items in Point-of-Sale, 'N' or blank to allow tax exempt toggling.
- F409 – Prompt for the county/state/province tax code within Point-of-Sale when using the Ship To window. Will accept only 2-character codes if F368 = N, otherwise two- or three-character codes.

There are additional flag settings that determine how sales taxes are linked to the General Ledger – these will not be included in this bulletin.

*Controls on the Menu:*

- TAXCODE – allows the store to set the taxes charged for the sale of inventory and services. Select the store and two-character taxcode, then assign the tax rates appropriate to that taxcode. Assign these taxcodes to inventory using the BBBB (field 3) or SHORT (field 23) screens. Point-of-Sale will use these tax rates for the determination of the taxes to charge to customers, **except** in the case where the store must charge taxes according to the customer’s location. If the customer jurisdiction is specified (state, province, or county), and the rates set (see next item and F368 above), then these will be the rates used by Point-of-Sale.

The screenshot shows a terminal window titled 'Tax Code Maintenance' with a red header bar containing 'BFNCBJ' on the left and '7.3.4' on the right. The main content area is yellow and contains a blue-bordered box with the following text:

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Store [001]
Taxcode [YY]

1) Duty / Fuel [ 0.000] %
2) GST [ 7.000] %
3) PST [ 7.000] %
4) Environment [ 0.00] $
    
```

Below the box, the text 'Modify field [ ]' is displayed. A red status bar at the bottom of the screen contains the instruction: 'Select field, <ENTER> to Save, <F4> to Delete, or <F1> to Cancel, ...'. At the very bottom, there are function key labels: F1 (Clear), F2, F3, F4 (Delete), F5, F6, F7, F8, F9, and F10 (File).

- TAXRATE – allows the store to set up tax rates according to the jurisdiction of the customer. Enter the province or state 2-character abbreviation, or the 3-digit county code (see F368 above), and set the tax rates charged in that jurisdiction (see screen shot on the next page). For example, select BC, and set PST to 7.0%, GST to 7.0%, and HST to 0.0%. Or select WA, and set Tax 1, Tax 2, and Tax 3 to the appropriate rates. **Note:** if the location of the customer is irrelevant to the taxes being charged, do not set any tax rates at this menu item. There is one exception to this rule – if the seller’s jurisdiction charges HST (a combination of PST and GST), that tax rates can be set up here.

BFGMB	Maintenance of Tax Rate by Region	7.3.0.009
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Province/State Code	[ BC ]	CANADA
1) Province Name	[ British Columbia ]	
2) GST Value	[ 7.00% ]	
3) PST Value	[ 7.00% ]	
4) HST Value	[ 0.00% ]	

This routine sets the sales tax rates the customer is charged for the chosen provincial or state jurisdictions

Modify field [ ]  
Select field to modify...

F1	F2	F3	F4	F5	F6	F7	F8	F9	F10
Clear			Delete						File

*Changes in the Sales Tax Rate:*

A change in the sale tax rate should be handled by modifying the following:

1. Change flags 22, 23, and 233 to the correct sales tax rate. While not really necessary, it is a good practice to keep everything consistent.
2. Run TAXCODE on the menu, and set every inventory tax code to the correct sales tax rate. This can most easily be done by scrolling (using the Up and Down cursor keys) through the list, and making changes where needed.
3. If the seller is required to pay different sales tax rates for customers in different jurisdictions, run TAXRATE on the menu, scroll through the list of jurisdictions, and make the necessary changes.

### Currency Exchange Rates:

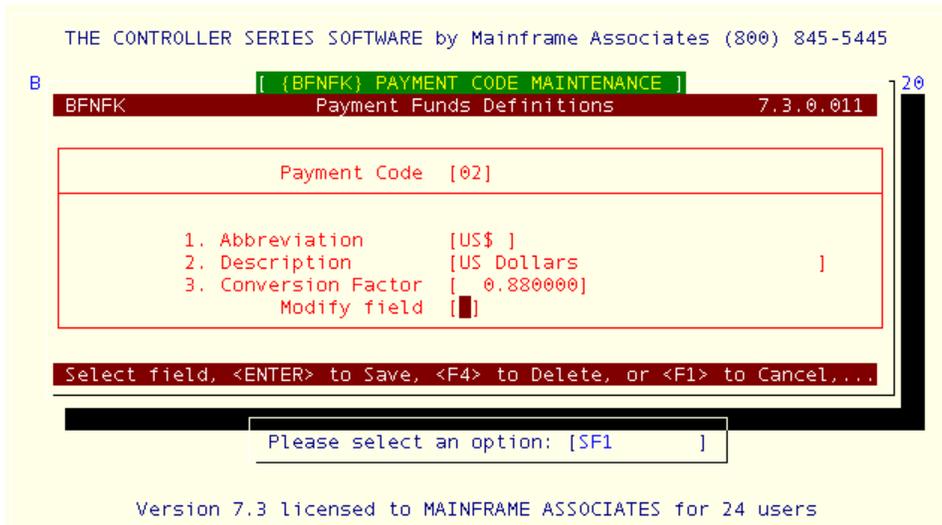
There are two places to set currency exchange rates within the system. These need not be set the same, allowing the user flexible exchange rates in what is offered to a customer as opposed to what is used for supplier payments and inventory costs.

On the Point-of-Sale side, it is possible to set foreign currency tenders if foreign currency is accepted. Select TENDER (or BDCI-F2) on the menu. Create a foreign currency tender, say, USC (US Cash). Fill in the fields as for any other accepted tender. The one change is in field 9, which is the exchange rate. The exchange rate is understood to be one unit of the foreign currency tender is equal to X units of the local tender. For example, if operating in Canada and accepting US currency, \$1 US = \$1.25 Cdn, and 1.25 is entered in this field. When accepting foreign currency, Point-of-Sale will use this value to convert the invoice balance into the foreign currency. If an overtender is made, the change will be converted to and displayed in the local currency.

BDCIB		Tender Codes		7.3.1.005	
Tender Code	[USC]				
Tender Descript	[US Currency		]		
CONTROLS					
1. Function Key Label		[USD		]	
2. Compulsory Entry of Amount	Y/N	[N]	12. Active Code at POS	Y/N	[Y]
3. Overtender Allowed	Y/N	[Y]	13. Ask for Reference	Y/N	[N]
4. Open Cash Drawer #1	Y/N	[Y]	14. Ask for Expiry Date	F/N	[N]
5. Tender Group		[N]	15. Ask for Quantity	Y/N	[N]
6. Post deposits to GL daily?	Y/N	[N]	16. EOD Accumulator	Y/N	[N]
7. Reserved	Y/N	[N]			
8. Change given in Foreign Curr	Y/N	[N]			
9. Conversion on Foreign Currency		[1.250		]	
10. Maximum Tender Amount Allowable		[		]	
11. General Ledger Account Number		[1014-000]			
Modify field [ ]					
Select a field to modify, or <ENTER> to Save,...					
F1	F2	F3	F4	F5	F6
Clear			Delete		
				F7	F8
					File

On the Accounts Payable side, any number of foreign currencies may be defined. The setup of foreign currencies may be accessed at several places on the menu – BFGM-F4 Payment Code Maintenance, BHBB-F9 Payment Funds Definitions, BFNF-sF1 Payment Code Maintenance, and from within the Supplier Maintenance screen, using F6 Acct, and then F7 Create when in field #4 – Payment Funds. Each method brings up the same input screen. The payment code is 1, 2, 3, and so on, but the software expects that payment code 1 is Canadian dollars, code 2 is US dollars, while others can be set as the seller wishes. Select a payment code, then field 3 for the exchange rate. This

exchange rate is defined in the opposite fashion from that above – one unit of the local currency (as set by F115) is equal to X of this currency. As an example, if F115 = N (operating in Canada), then selection of US dollars (currency code 2) may show an exchange rate of \$1 Cdn = \$0.88 US.



The AP exchange rates are used extensively within purchasing, receiving, and accounts payable, and should reflect what the user is actually being charged. The Point-of-Sale exchange rate, on the other hand, is what the user is offering to the customer.