

QUICK REFERENCE GUIDE

Sales Tax Settings on Purchase Orders

October 31, 2015

Sales Tax Settings on Purchase Orders

Use this reference guide to help choose the right sales tax settings.

SWIFT uses **Sales Tax** for taxes paid to the vendor (excluded from the state’s Direct Pay Permit). **Use Tax** represents taxes paid directly to the Department of Revenue (included in the State’s Direct Pay Permit). The tax setting on the *Category* field is defaulted based on the Department of Revenue’s recommendation and/or the setting most often used in state purchases. The tax setting of “Taxable” or “Not Taxable” is a default only. It must be reviewed and updated for each purchase.

Enter Sales Tax on a Purchase Order

1. **Navigation:** Purchasing, Purchase Orders, Add/Update POs, Maintain Purchase Order
2. Create the purchase order with applicable line(s) or select an existing purchase order.
3. Click on the **Schedule** icon on the Lines section of the purchase order.

| Line | Item | Description | PO Qty | *UOM | Category | Price | Merchandise Amount | Status | | |
|------|------|--------------------------------|--------|------|----------|-------------|--------------------|----------|--|--|
| 1 | | Printer Maintenance & Supplies | 1.0000 | EA | 81101707 | 1,500.00000 | 1,500.00 | Approved | | |

4. On the Lines section of the **Schedules** page, click on the **Sched Sales/Use Tax** icon.

| Sched | *Due Date | *Ship To | Ship to GLN | *PO Qty | Price | Merchandise Amount | Status | | | |
|-------|------------|------------|-------------|---------|-------------|--------------------|--------|--|--|--|
| 1 | 07/01/2015 | G104THFL00 | | 1.0000 | 1,500.00000 | 1,500.00 | Active | | | |

5. The **Sales/Use Tax Information** page is displayed. The settings will vary.

Settings are based on the *Category* field used on the Commodity line and the *Ship To* field on the Schedule line.

- *Category* determines taxability: “Yes” or “No”.
- The *Ship To* field determines the rate, sales tax and any local, county or transit taxes.

Steps to verify or update Sales/Use Tax

- Step 1: Verify or update the Ultimate Use Tax
- Step 2: Verify or update the Tax Applicability
- Step 3: Verify or update the Tax Code
- Step 4: Verify or update the Freight and Miscellaneous Charges
- Step 5: Calculate the SUT (Sales and Use Tax)

Sales/Use Tax Information for Schedule 1

Unit: G0210 Vendor: Description
 PO ID: NEXT Item: Description
 Line: 1 Schedule: 1 Status: Active

Tax Destination: G104THFL00 5 Calculate SUT
 Tax Applicability: 2 Direct Pay
 Ultimate Use Code: 1 4
 Exception Type: None
 SUT Excpn Cert: 4
 Tax Code: 3 1943
 Tax Basis Amount: Rate: 0.0000

Calculation Parameters

Include VAT

Include Freight

Include Misc Charges

Merchandise Amount: _____

Use Tax Amount: _____

Total Tax: _____

OK Cancel

Step 1: Verify or update the Ultimate Use Tax.

To change the Ultimate Use Tax code, click on the magnifying glass. Select the correct value

| Ultimate Use Code Values | Field Description |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Blank | Ultimate Use Code does not apply to the purchase order line. |
| Dirpayex | The purchase order line is excluded from the state's Direct Pay Permit. Tax will calculate and display on the purchase order for the vendor to bill the state for the tax. |
| Excise | This Tax is no longer being used by the State of Minnesota in SWIFT. |
| Exempt | The purchase order line is exempt from tax. No tax will calculate. The Tax Applicability will update to "Item is Exempt". |
| Included | Taxes have been included in the cost of the purchase order line. No taxes will calculate. Tax Applicability updates to "Item is Exempt". |

Step 2: Verify or update the Tax Applicability.

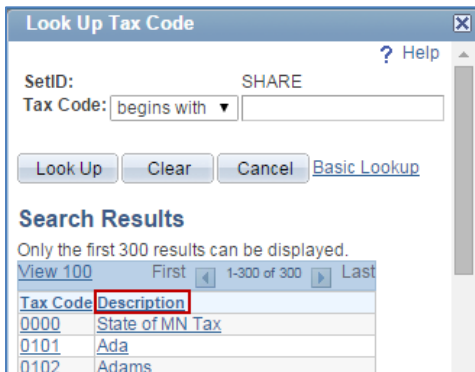
Verify the *Tax Applicability* field defaulted or updated correctly for the purchase order line. It is based on the *Ultimate Use Code* you selected.

To change the *Tax Applicability* value, click the drop down menu and select the correct value.

| Tax Applicability Values | Field Description |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Direct Pay | Sales and local tax are calculated in the system. They are not shown on the order document. Using the state's Direct Pay Permit, sales and local tax are paid directly to the Department of Revenue (DOR). This is the most common setting on taxable goods and services. In general, use this value. |
| Sales Tax Applicable | Sales and local tax are calculated and shown on the purchase order. They are paid to the vendor. Only items not covered by the state's Direct Pay Permit are applicable. It does not include other taxes such as hotel or telecommunications. |
| Exempt | No tax is calculated on the purchase order either because the item is not taxable or there are other taxes, such as those for hotel or telecommunications. These are any type of tax other than state and local paid to the vendor. These other taxes can be added as a separate purchase order line or incorporated into the cost of the goods or service. |
| Purchaser is Exonerated | The purchasing Budget Unit (BU) is tax exempt. No tax will be assessed. |
| Use Tax Applicability | Sales and local taxes are assessed and sent directly to DOR. This is relevant only if the vendor should have charged for sales tax but did not. This code should be used sparingly. |

Step 3: Verify or update the Tax Code.

To change the *Tax Code*, click on the magnifying glass to look up the options. Select the correct code for the purchase order line. Hint: click the *Description* header to sort the list in alphabetical order.



Step 4: Verify or update the Freight and Miscellaneous Charges

On the Calculation Parameters section, verify that the *Include Freight* and *Include Misc Charges* are checked or unchecked as appropriate. **Note:** *Value Added Tax* (VAT) is not used in Minnesota. It should not be checked.

Step 5: Calculate the SUT (Sales and Use Tax)

Click the **Calculate SUT** button and verify the tax rate.

- You may need to click OK and return to the page for the updates to display.
- If needed, update additional lines on the order or click the Return to Main Page link.