Best Practices for Tax Reporting in Navusoft

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Ensuring that your tax reporting is accurate and compliant in Navusoft requires proper system setup, clear invoice presentation, and a good understanding of how transaction rounding works. Proper system setup will ensure that every taxable and non-taxable dollar is accounted for on tax reports.

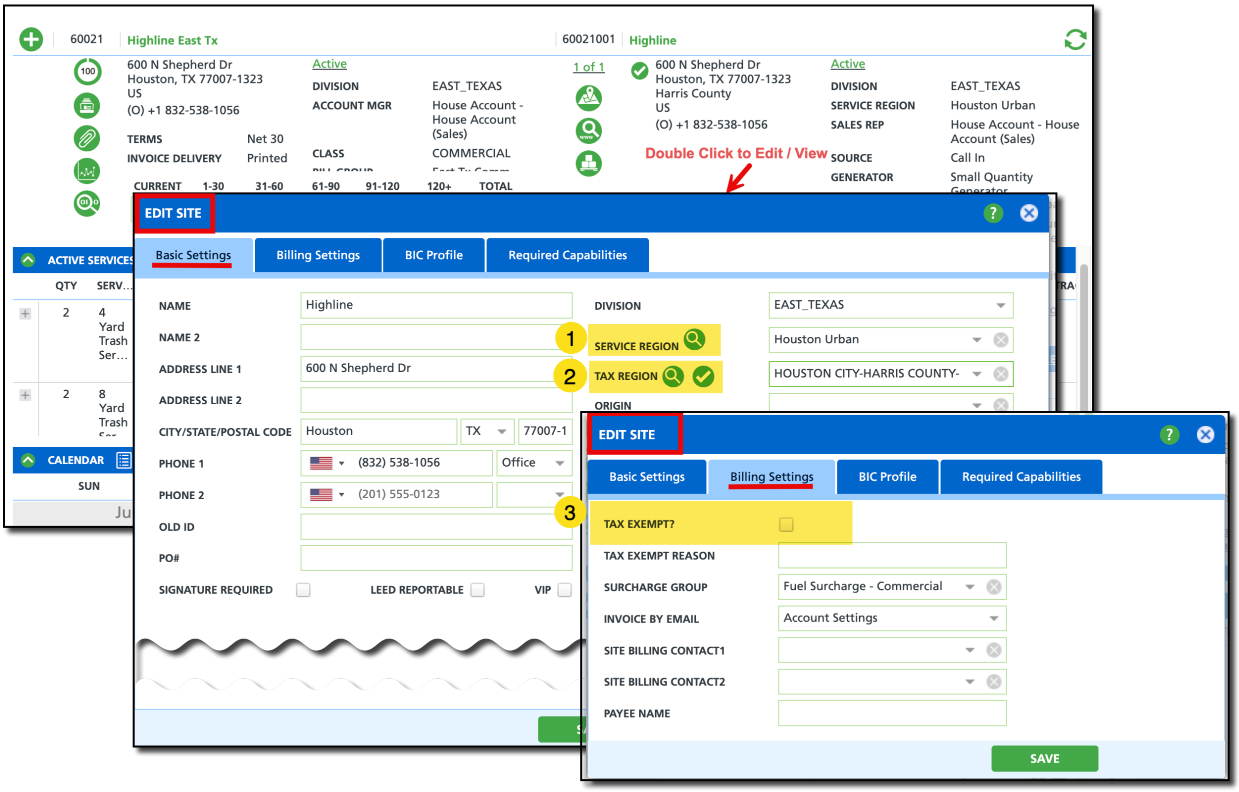
System Setup For Tax Reporting

For revenue to be counted as taxable vs non-taxable it is highly recommended to follow the steps outlined here at the Site level and the Service level.

It is extremely discouraged to:

- Set 0% tax
- Create a tax region with no taxes - it will not appear on tax reports.

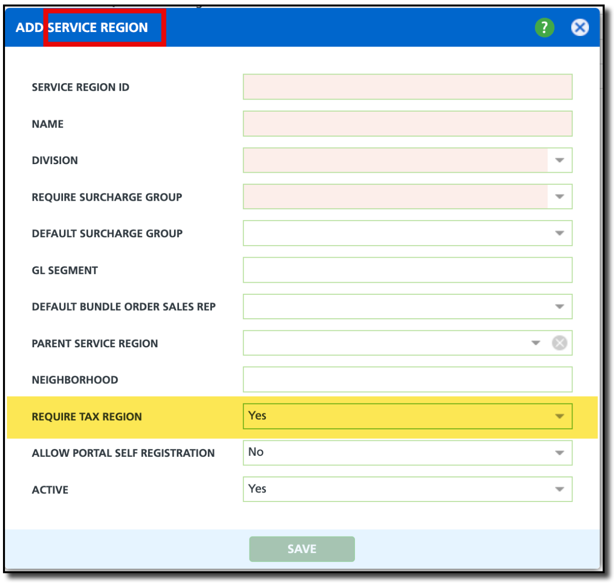
Site Level Configurations



Each of these 3 settings are important. Review each setting to understand how each one affects the tax calculations .

1. **Set the Service Region at the Site level.**

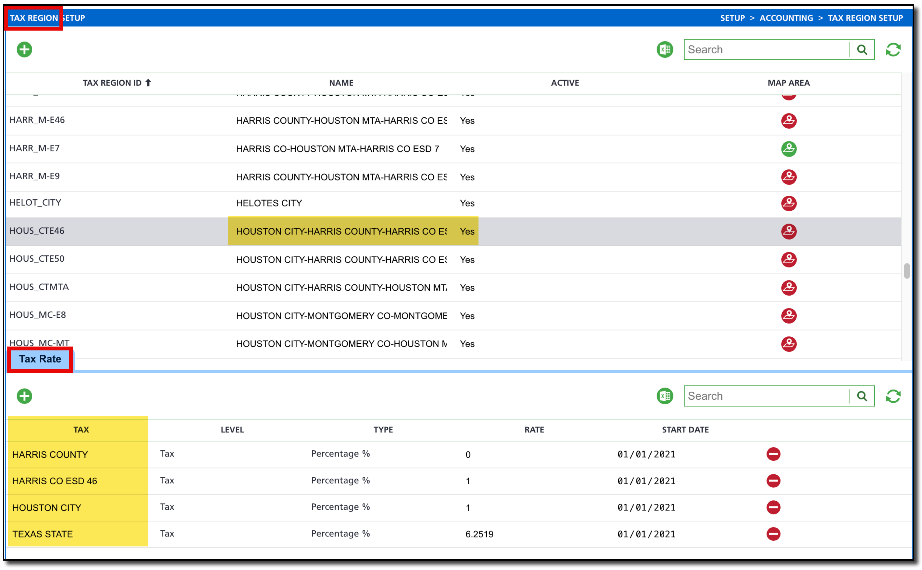
   On the Basic Settings tab, setting the service region defines the geographical area that the site falls under. Make sure to have the service region properly defined.
   The Service Region is the "enforcer" of which tax region is used to calculate taxes for services in this service region. For each Service Region, set **Require Tax Region** to Yes to ensure inclusion of taxes.



Pathway: *Setup > Service > Service Region*
Related Article: *Service Region Setup*

2. Set a Tax Region for each site.

On the Basic Settings tab, setting the tax region defines the exact taxes that apply to a transaction in the Service Region listed for the site. If no tax region is assigned at the site level, then the site will NOT appear on reports. Mandating a tax region across your operations ensures that every site is correctly linked to its appropriate tax jurisdiction. Make sure to have the Tax Region properly defined.
A Tax Region may have one to many taxes associated with it. It needs to be setup based on state, county, and municipal taxes along with any special purpose districts like school districts or transit authorities.



Pathway: *Setup > Accounting >Tax Region*
Related Article: Tax Region Setup

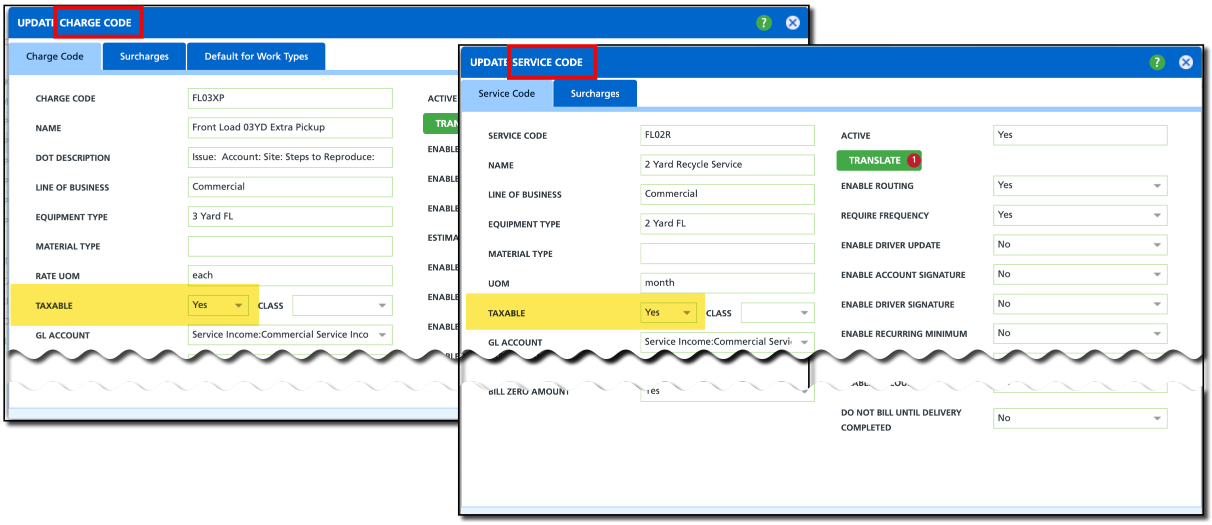
3. Set a Site as Tax Exempt.

On the billing tab, setting the Tax Exempt flag to Yes is required for tax exempt customers.

Service Level

Not all sales are taxable.

If a **Charge Code** or **Service Code** is configured as "**Non taxable"**, any associated charges will not be taxed, and therefore will not appear on tax report. Make sure to properly define charge codes and service codes:



Pathways

- *Setup > Accounting > Charge Code*
- *Setup > Services > Service Code*

Related Articles

- Charge Code Setup
- Service Code Setup

Invoice Presentation

The recommendation for how taxes are presented to a customer on their invoices is straightforward and helps to reduce confusion by improving transparency.

- Best practice for invoices is to **display taxes at the line item level** detailing each tax charged.
- It is strongly discouraged to provide just the summary and subtotal of taxes charged.

Transaction Rounding

Tax calculations in the system are rounded at the **individual transaction/line item level**, rather than calculated on a summarized total. Understanding this distinction helps clarify common questions regarding minor "rounding differences."

Consider an invoice with three separate charges of $10.02 subject to a 6.25% tax rate:

Correct Calculation (line item level):

- line item1: $10.02 x .0625 = $0.62625 which rounds to: $0 .63
- line item2: $10.02 x .0625 = $0.62625 which rounds to: $0 .63
- line item2: $10.02 x .0625 = $0.62625 which rounds to: $0 .63
- Total Tax Collected = $0.63 + $0.63 + $0.63 = $1.89

Incorrect Calculation (Summarized / Subtotaled):

- Subtotal Sales: $10.02 x 3 = $30.06
- Subtotal Tax: $30.06 x .0625 = $1.87875 which rounds to: $1.88

Calculating tax on the subtotal creates a false 1-cent discrepancy. Showing tax per line item ensures the customer invoice matches the system accounting down to every penny.

Tax Summary and Details Report

To give you complete visibility into your tax liability and revenue, there are reports in Navusoft that include data for Non-Taxable Revenue. The overall revenue reconciliation on tax reports follow this simple equation:

Non-Taxable Revenue + Taxable Revenue = Total Sales for Tax Reporting

If a customer or site is marked as "tax-exempt" or if a particular service was not subject to sales tax, the revenue falls into the Non-Taxable Revenue bucket.

Bottom Line

By ensuring every site has an assigned Service Region and Tax Region and proper Tax Exempt flags are used, both non-taxable and taxable sales will correctly aggregate into your total sales reporting.