

Job Costing

Taxation Matters in Visual Dolphin Job Costing

Taxation in Supplier Invoice, a Business Case

In the supplier invoice, two cases of taxation could occur, each having a different meaning and leading to different consequences:

Case 1:

Supplier invoice	1000,-
Tax 10%	+100,-
Net	1100,-

This is not a VAT tax, therefore considered as charge to the company and not refundable. This tax is obviously paid to the Supplier who pays it in return to the tax office.

Case 2:

Supplier invoice	1000,-
Tax 10%	-100,-
Net	900,-

This is not a VAT tax either. It is deducted from the supplier as we have to pay it ourselves to the tax office on the supplier's behalf. This reminds of the withholding tax for a subcontractor who is not officially registered at the tax office.

The financial transactions resulting out of both cases would be:

Case1:

Dr Cost of project (WIP)	1000
Dr Cost of project (due to tax)	100
Cr Payable Supp	1100

The link of the tax field (in the second line) is done against an expense account.

Case2:

Dr Cost of project (WIP)	1000
Cr Payable to tax office	100
Cr Payable Supp	900

The link of the tax field (in the second line), would be done against a tax office (could be 3rd party payable).

In case 1, the cost of the project is 1100, in case 2 it is 1000.

Currently, in Visual Dolphin Job Costing, in the Local Purchases entry screen, we have the following:

- Gross amount
- Discount %
- Discount amount
- Tax (1)
- Withholding tax
- VAT

The link of the withholding Tax goes to a 3rd party control account (aux A but it could also be single or aux B) (2).

The VAT goes to a 3rd party payable account also (single or aux B).

Therefore, we notice that the Tax (1) field is considered as expense to the company. It is always a positive figure, and should be posted to the general expenses (3).

The withholding amount is most of the times a negative amount, withheld from the supplier, that the company is supposed to be paying on the supplier's behalf to the tax office.

(1)The link of the Tax goes to an expense account (single or aux B).

(2) In Visual Dolphin, when the withholding tax account is Aux A only, it is because it will be subdivided to the government by supplier. This has a disadvantage of settling the payment in many partial payments vouchers or processing a grouped payment.

(3) Normally, this expense is supposed to be going to the Work in progress (WIP). This reminds of the cost of shipment or customs for buying a car or registering a car. Upon closing, this 100 tax is moved to the cost of project. Currently, it is affecting directly the cost of project with branch CC2 being the Job code (Without posting to the WIP). This is not so bad when we consider that such tax is a loss since it is not refundable by Tax authorities.

- o Reports in Visual Dolphin Job Costing must consider this tax as a cost of project (Will be done in release 3.xx). Reports extracted from financial trial balance by CC2 are already including this tax charges as part of project/job cost. This is in opposite to the VAT, that should never be considered within the sales reports (VAT is neither an expense, nor a revenue).
- o No confusion, this taxation that accounts as part of the cost of the job, is at the purchase level, and not at the sales/billing. Sales and billing additional tax fees is totally different!



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