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## Introduction

The ease with which you may configure LightSpeed for the application of sales taxes applicable in your geographic region should not bely its importance. Tax settings may vary greatly between cities and counties, let alone countries, and LightSpeed's Tax setup panel is able to accommodate requirements, both simple and complex, you may need applied to your sales.

This guide expands on the tax setup instructions from the LightSpeed *Getting Started Guide*, and includes examples for a more thorough illustration of setup.

## Set up your Taxes

### Tools > Setup > Taxes

The **Taxes** section of the *Taxes* setup panel is where an Administrator will enter the names of up to five taxes and set their GL Accounts.

**Tax Codes** specify which taxes and which rates are charged in a particular jurisdiction or circumstance. The **default** Tax Code is the Tax Code that is automatically applied when creating a new sales document, and is set in the Station Setup panel. You can create additional Tax Codes for charging out-of-state taxes. An unlimited number of Tax Codes can be created. Tax Codes affect the taxes charged on a per-document basis.

**Tax Setup**

Tax	GL Acct (Collected)
Tax 1	Taxes:State
Tax 2	Taxes:Local

Tax Rates for the different districts you sell into, including your default district, are set below in your Tax Codes.

Tax Statuses can be set up and assigned to special Products or Customers that are exempt from particular taxes.

Show Specialized Tax Features

If you do business in a district where specialized tax calculations are required, click this checkbox to show these options.

Please consult the LightSpeed documentation before enabling specialized tax features, as they may not apply to your tax district and business.

Save

**Tax Codes** Drag to Reorder

- NY
- NYC
- NO TAX

**Tax Status**

- Default
- No Tax
- Tax 1 Only
- Tax 2 Only

Delete Edit New Delete Edit New

Tax Setup Panel

**Tax Statuses** are used for particular tax exemptions. If a Customer is entitled to certain tax exemptions, or a Product is exempt from certain taxes, one can apply the corresponding Tax Status.

The basic overview is as follows:

- 1 Name the taxes that will be charged in the *Taxes* section. Do not set rates in this section.
- 2 Modify the *Default Tax Code* ("US") to charge the appropriate tax rates on your sales documents. Rename it to reflect the **Tax Code** you want to appear on documents. Enter a rate for each tax, but without the % sign.
- 3 Create new **Tax Codes** for any alternate tax scenarios (if any).
- 4 Create **Tax Statuses** for Product-level exemptions of particular taxes.

## Specialized Tax Features

Taxes also have the ability to be configured according to local specifications, accessible only by checking the *Show Specialized Tax Features* checkbox. In the column marked (1), you can indicate a maximum dollar value for the tax collected. In (2), the checkbox indicates the tax is compounded on the sum of the subtotal plus the taxes. In (3), the checkbox indicates a tax that is Paid and must be assigned a GL Account for the export to the accounting package.

(1) **Maximum Tax** - allows you to set a maximum dollar amount that can be charged in tax (eg. parts of Alaska)

(2) **Compounded Tax** - allows you to calculate tax based on subtotal plus any other taxes levied on document (eg. Quebec QST)

(3) **Exported to GL Account (Paid)** - allows you enter a GL Account to track the payment of this tax, as opposed to its collection (eg. some Canadian provinces)

None of these features should be used unless they apply to your specific region. If you are unsure, please contact Xsilva Support.

## Tax-Inclusive Pricing

At the bottom of the main Tax section, there is a checkbox that enables LightSpeed to calculate its taxes differently. The *Tax Inclusive Prices* is designed for regions with particular tax calculation involving a requirement for tax-in totals. **IMPORTANT:** It is recommended that unless you are in such a region, you **do not use this option**.

Tax Code

Tax Status

Tax-Inclusive Pricing (TIP) displays all prices with the Default Tax Code already applied. For example, if a retailer's Default Tax Code applies a 10% tax to all Products, a Product normally priced at \$100 would appear as being priced at \$110 with Tax-Inclusive Pricing enabled.

When TIP is enabled, both prices appear in the Product card. However, on documents, only the tax-inclusive price will be displayed, while the sub-total, tax breakdown, and totals will appear as they do without TIP.

**Note:** You can set either the tax-out or tax-in price for a Product in one of two ways; first, in the Product card, you can click the Selling Price field, which will calculate the Tax-Inclusive Price using the default Tax Code, or you can click the tax-in price to calculate the regular Selling Price. Second, you can use *Set Selling Prices* to set either the regular Selling Price or the Tax-Inclusive Price.

Costs	Supplier	Supplier Code
- +	Giant Inc.	RFS-941

Selling Price: 364.78 (23.64% margin), 399.99 Tax In

Inventoried       Serial N

Editable Description       Editable

Cost Always Equals Sell       Size/Co

Tax-Inclusive Pricing on Product Card

## Modifications

If there are modifications to the sales taxes in your region, you must make the necessary changes to the LightSpeed Tax setup panel to reflect the change. Most modifications of this type will involve the adjustment of a tax rate.

### IMPORTANT

In order to prevent the accidental modification of legacy sales documents, it is recommended that you create a **new** default Tax Code to apply the adjusted rate(s). Otherwise, modifying an existing Tax Code could result in legacy sales documents automatically adopting the new rate upon being accessed.

In the event where a new tax is being created, it is recommended that you create the **new** Tax without modifying an existing Tax. Then, create a **new** Tax Code to apply the proper rate(s) and make it the default Tax Code. If you have any questions, please contact Xsilva Support.

Product Code	Description	Qty	Qty BO	Sell	Total Sell	Discount
PQ-SPEED-SS	Tag Heuer Speedway Sunglasses	1	0	399.99	399.99	

Status	Linked	Tax Code	Tax 1	Tax 2	Subtotal	Total
None		Default	27.91	7.84	364.24	399.99

Tax-Inclusive Pricing on Sales Document

## Examples

### Example 1

A shoe store in San Francisco applies a sales tax of 9.5% on all its sales.

- 1 Rename the "US" Tax (in the top section) to "TAX".
- 2 Rename the default Tax Code to "Standard" and set the rate of "TAX" to 9.5.

A basic tax setup (Example 1)

### Example 2

There is a store in Happytown, Pennsylvania. Their sales are subject to the state tax, which is 6%, but there is also a city tax of 4% for sales to residents of Happytown, and must be listed separately. If they sell to anyone else, they need only charge the state tax.

- 1 In the top section, name two taxes, "State" and "City".
- 2 Rename the default Tax Code to "HAP" and set it to charge a "State" tax rate of 6% and a "City" tax rate of 4%.
- 3 Create a new Tax Code named "REG" that charges a "State" tax rate of 6%.

Now, a standard sale to the Happytowners will default to the "HAP" Tax Code and apply 10% tax, listing each tax separately. However, when a resident of nearby Pleasantville buys, the Tax Code can be switched to "REG", which charges 6% only.

Naming your taxes (Example 2)

Creating Tax Codes for each location (Example 2)

### Example 3

A kids' store in Ontario selling assorted clothing, books, and puzzles for little ones charges 2 taxes, a provincial tax (PST) and a federal tax (GST). Due to a change in the way sales taxes are to be charged, they must **change** their tax setup to reflect only a new Harmonized Sales Tax (HST). Clothing and books are exempt from all taxation.

- 1 Create a **new** Tax (in the top section) called "HST". Do not modify or delete existing Taxes.
- 2 Create a **new** Tax Code and name it "HST". Set it to apply a rate of 13% for the "HST" Tax. Make it the default Tax Code by dragging it to the top of the list. Do not delete existing Tax Codes.
- 3 Set each Sales Station to have *HST* as the default Tax Code.
- 4 Modify the "No Tax" Tax Status to exempt HST only.
- 5 Use *Set Product Info* to set the Tax Status of all Products with the Classes "Clothing" and "Books" to "No Tax".

Creating a new Tax and Tax Code (Example 3, Step 2)

**Example 4**

A toy store in Sydney is setting up their database. They use tax-inclusive pricing, and they charge one tax called GST.

- 1 Create one Tax called "GST".
- 2 Modify the default Tax Code to charge the appropriate rate of 10%.
- 3 Enable *Show Specialized Tax Features*, then enable the "Recommended" setting for *Tax-Inclusive Pricing*.

Tax	GL Acct (Collected)	(1)	(2)	(3)	GL Acct (Paid)
GST		0.00	<input type="checkbox"/>	<input type="checkbox"/>	
		0.00	<input type="checkbox"/>	<input type="checkbox"/>	
		0.00	<input type="checkbox"/>	<input type="checkbox"/>	
		0.00	<input type="checkbox"/>	<input type="checkbox"/>	
		0.00	<input type="checkbox"/>	<input type="checkbox"/>	

Show Specialized Tax Features

(1) Maximum tax that can be charged in dollars (Alaska).  
(Incompatible with Tax Reports by Line Item and Tax Inclusive Prices)

(2) Tax is Compounded on Sum of Subtotal and Taxes (QST in QC)

(3) Tax Exported to GL Acct (Paid) (Some CDN Provinces)

Tax Inclusive Prices Recommen... Important

Setting Tax-Inclusive Pricing (Example 4)

**Example 5**

There is a multi-store retailer with locations in New York City and Albany, NY. Taxes in New York state are a combined rate of city, state, and various taxes.

- 1 In each store's database, name one Tax - "Sales".
- 2 In the New York City location, modify the default Tax Code to apply a rate of 8.875 for the tax named "Sales". Rename the Tax Code if desired.
- 3 In the Albany store, modify the default Tax Code to apply a rate of 8.0 for the Tax named "Sales". Rename the Tax Code if desired.

**Edit Tax Code**

Tax Code: NYC

Tax: Sales

Rate: 8.87 0 0 0 0

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**Edit Tax Code**

Tax Code: ALB

Tax: Sales

Rate: 8 0 0 0 0

Cancel Save

Creating Tax Codes for each location (Example 5)

**Example 6**

In New York City, clothing sales under \$110 are not subject to sales tax.

- 1 Follow Steps 1 and 2 in Example 5.
- 2 Use *Set Product Info* to set the Tax Status of all Products with the Class "Clothing" and a Selling Price of less than \$110 to "No Tax".

**Set Product Info**

Criteria 1 of 38 products

Class is Clothing

and Selling Price < 110

and

and

Action

Set Tax Status to No Tax

Rules New Apply

Using Set Product Info to exempt taxes (Example 6)