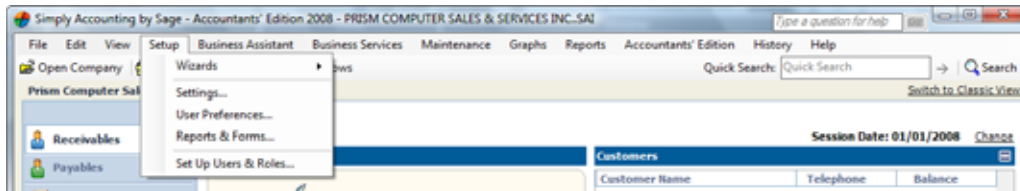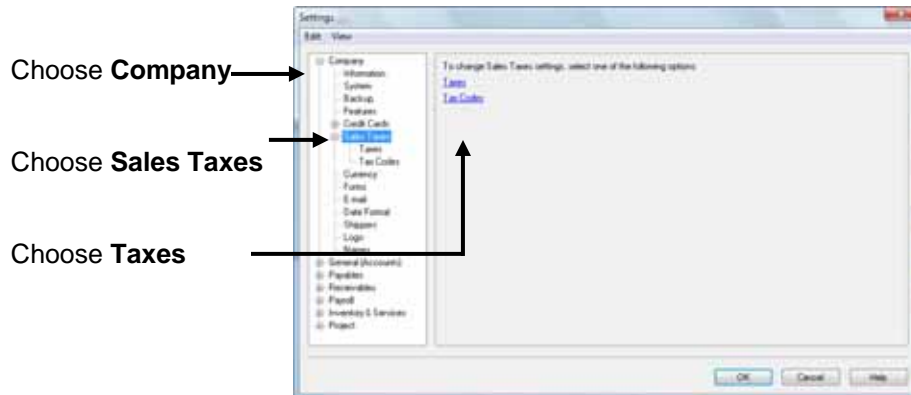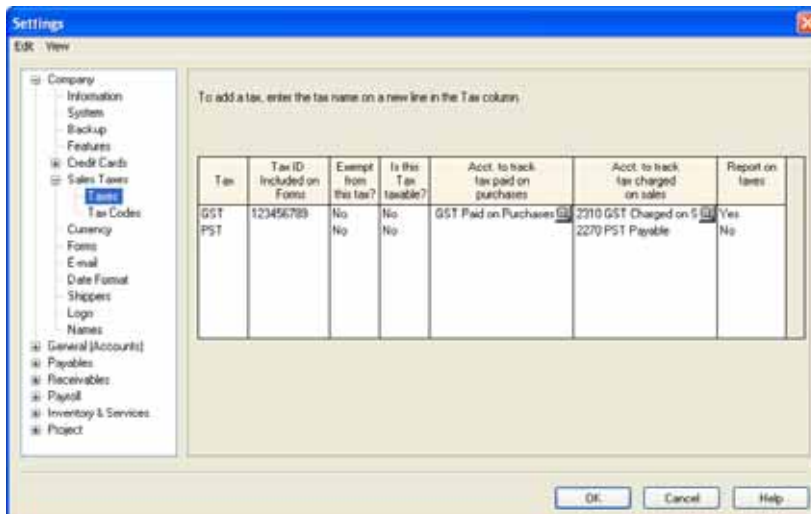## Understanding the Taxes and Tax Codes

The tax code settings in Simply Accounting are found in the Setup menu on Simply's home window. Select Settings from the Setup drop down menu.

The **Settings** window will open…

Choose **Company**

Choose **Sales Taxes**

Choose **Taxes**

The **Taxes** content will appear in the **Settings** window; this example is of a company that uses both GST and PST.

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Understanding the Taxes Columns

Before any Tax Codes can be created in Simply Accounting, the taxes the business uses must be set up as a Tax first.

Tax
Is the name of the Tax to be applied to sales and purchase invoices?

Tax ID
The businesses tax account number

Exempt from this tax?
Is the business exempt from this tax on purchases? If Yes, click in the column on **No** and change to **Yes**.

Is this Tax Taxable?
If this tax is subject to other taxes, click in the column on **No** and change to **Yes**. Select which taxes are charged on the tax from the **Taxable Tax List**. In order for the tax to appear in the **Taxable Tax List**, the tax must be setup as a **Tax.** Click OK to save.
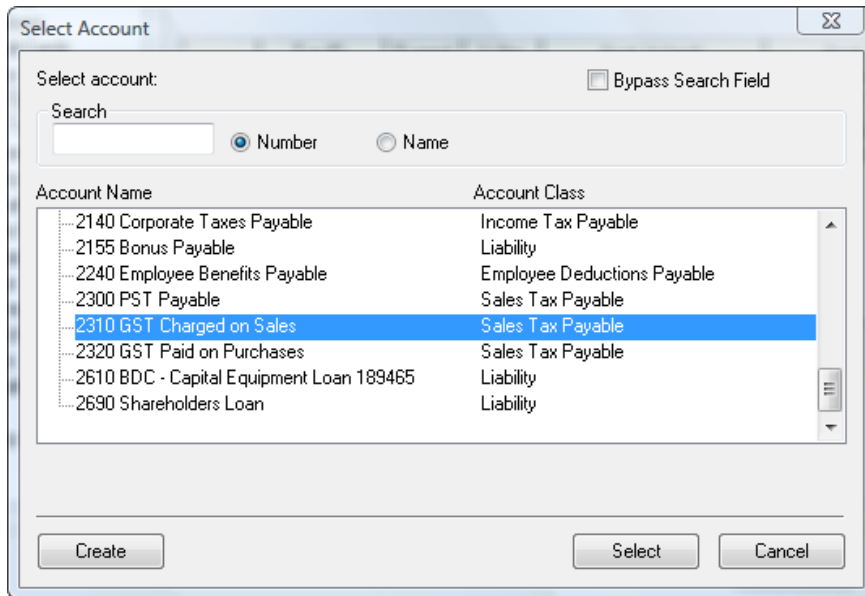

Acct to track tax paid on purchases

If a company is allowed to claim back this tax on purchases and business expenses, click the Find button in the column to select the General Ledger account to track the taxes paid on purchases and business expenses.

Acct. to track tax charged on sales

If a company charges this tax on Sales, click the Find ![icon] button in the column to select the General Ledger account to track the taxes charges on Sales.
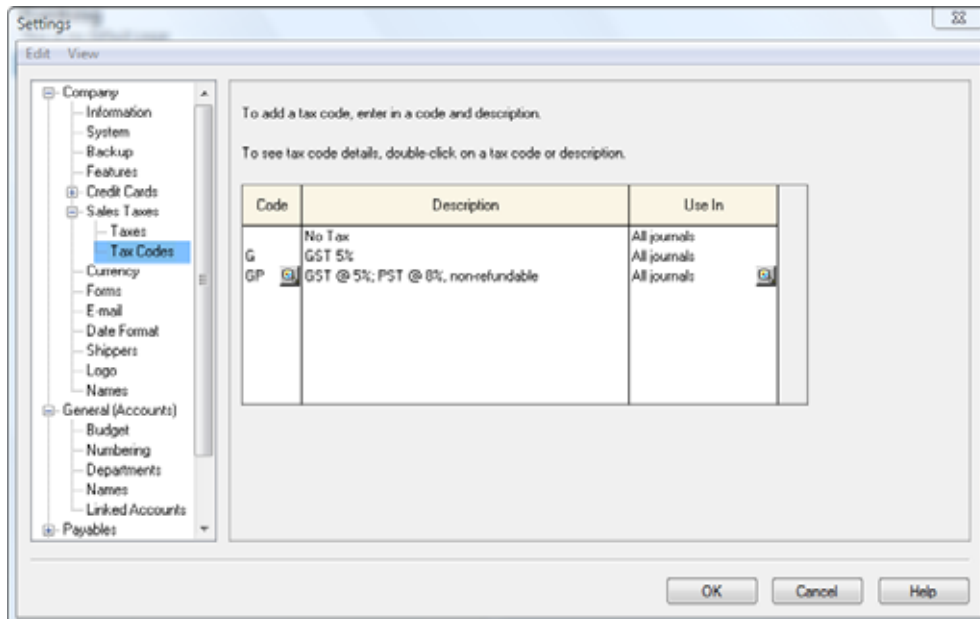

Report on taxes
The **Tax** report provides information about the tax on purchases, expenses or sales. It reports the taxable purchases, expense and sales amounts before the tax is applied, the tax amount and the total tax. The **Tax** report is found in the **Report Centre**. Reports can be displayed in Summary showing totals only or detailed showing individual transactions.

If the business would like a report on the Tax, click in the column on **No** and change to **Yes**.

Understanding the Taxes Codes
Tax codes are the codes that are used in sales and purchases transactions. Each code applies the taxes and tax percentage setup for each individual code. When the tax code is selected in a transaction, the taxes will be applied.
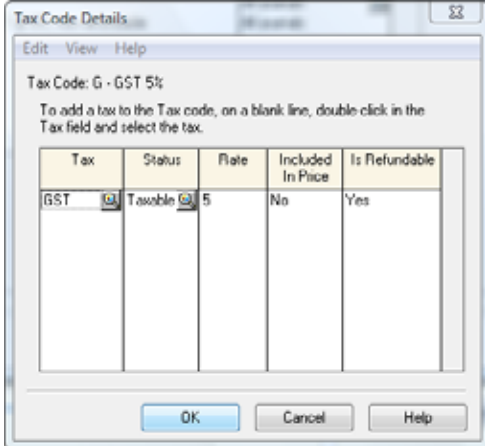
Understanding the Tax Codes Columns

Code Column

Tax codes can be setup with using one or two letters and numbers. The example for GST only, the code is "G", for both GST and PST the code is "GP".
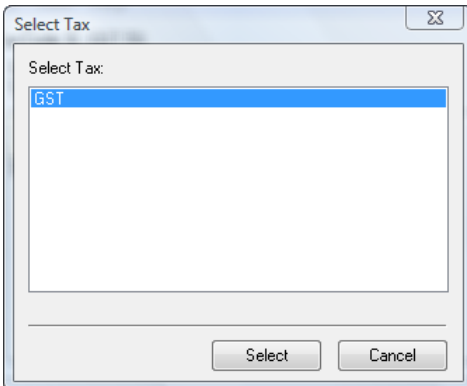
To set the tax percentage for the tax code, click in the tax code column on the tax code and then click on to open the Tax Code Detail information. The Tax Code Details is how Simply knows what percentage rate to charge for the tax and how to apply the tax.
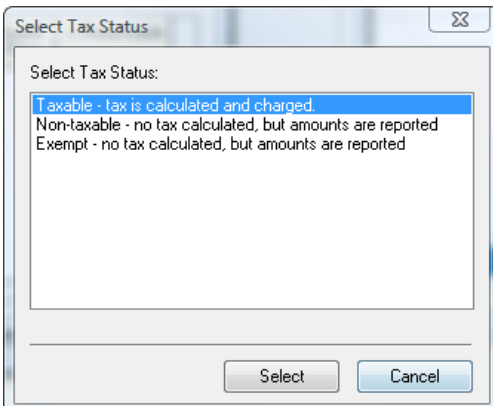

Tax Code Details:

Tax Column – click on and select the Tax.

Status:

Select the Tax Status from the list for the tax.

Rate:
In the rate column, enter the tax rate percentage

Included in Price:
Included in Price set to "No", means the tax will be added to the transaction.
Included in Price set to "Yes" means the tax is included in the transaction amount.

Is Refundable:
Is this tax refundable, an example on GST and HST registered businesses; the tax paid on purchases and expenses is refundable as an Input Tax Credit from C.R.A. Select OK to save the **Tax Code Details**.
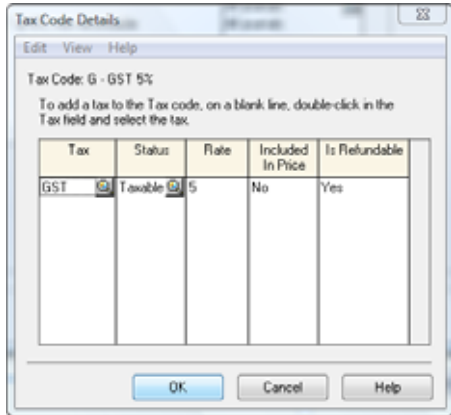
Tax Code Details must be setup for each tax that applies to the Tax Code. Below is the Tax Code Details for code "GP".
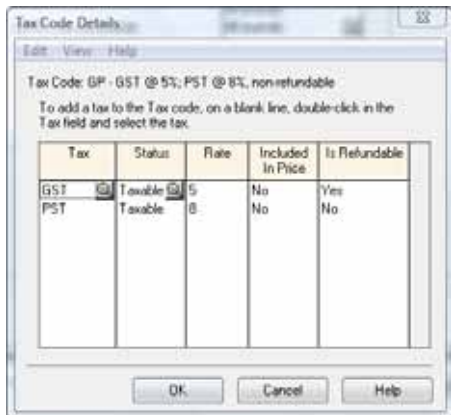

Description:
The Description information describes the taxes and rates for the Tax Code and displays on Sales Invoices.
To edit the description, click on the description field and type the description. Select OK to save the changes.

Use In:

Select the Tax Code Availability that the Tax Code will be used in, all Journals, Purchases Journal only or the Sales Journal only.
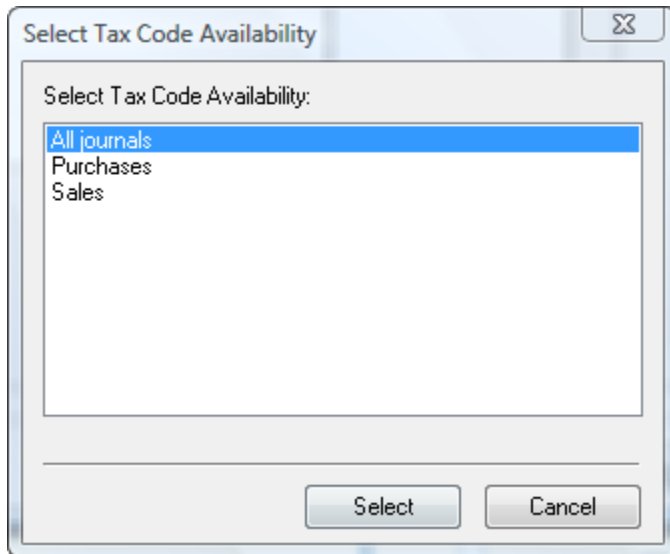
Ensure after each change made, to select ok to save the settings.

Error and Hints:

If you are using Simply Accounting by Sage Premium version and higher, Taxes and Tax Codes can only be added, edited and deleted in **Single user mode**.

If the Taxes or Tax Codes are grayed out, make sure all windows are closed. Click on Close all other windows to close all windows.