

# Oracle® Banking Corporate Lending Tax User Guide



Release 14.7.4.0.0

G12996-01

May 2024

The Oracle logo, consisting of a solid red square with the word "ORACLE" in white, uppercase, sans-serif font centered within it.

ORACLE®

Oracle Banking Corporate Lending Tax User Guide, Release 14.7.4.0.0

G12996-01

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# Preface

This topic contains the following sub-topics:

- [Purpose](#)
- [Audience](#)
- [Documentation Accessibility](#)
- [Critical Patches](#)
- [Diversity and Inclusion](#)
- [Related Resources](#)
- [Conventions](#)
- [Screenshot Disclaimer](#)
- [Acronyms and Abbreviations](#)
- [Basic Actions](#)
- [Symbols and Icons](#)

## Purpose

This manual is designed to help you maintain and process taxes on the contracts you process in Oracle Lending.

You can further obtain information specific to a particular field by placing the cursor on the relevant field and pressing <F1> on the keyboard.

## Audience

This manual is intended for the following User/User Roles

**Table 1 Audience**

<b>Role</b>	<b>Function</b>
Back office clerk	Input functions for contracts
Back office managers/officers	Authorization functions
Product Managers	Product definition and authorization
End of day operators	Processing during end of day/ beginning of day
Financial Controller / Product Managers	Generation of reports

## Documentation Accessibility

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## Critical Patches

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## Diversity and Inclusion

Oracle is fully committed to diversity and inclusion. Oracle respects and values having a diverse workforce that increases thought leadership and innovation. As part of our initiative to build a more inclusive culture that positively impacts our employees, customers, and partners, we are working to remove insensitive terms from our products and documentation. We are also mindful of the necessity to maintain compatibility with our customers' existing technologies and the need to ensure continuity of service as Oracle's offerings and industry standards evolve. Because of these technical constraints, our effort to remove insensitive terms is ongoing and will take time and external cooperation.

## Related Resources

For more information on any related features, refer to the following documents:

- *Bilateral Loans User Guide*
- *Product User Guide*

## Conventions

The following text conventions are used in this document:

Convention	Meaning
<b>boldface</b>	Boldface type indicates graphical user interface elements associated with an action, or terms defined in text or the glossary.
<i>italic</i>	Italic type indicates book titles, emphasis, or placeholder variables for which you supply particular values.
monospace	Monospace type indicates commands within a paragraph, URLs, code in examples, text that appears on the screen, or text that you enter.

## Screenshot Disclaimer

Personal information used in the interface or documents is dummy and does not exist in the real world. It is only for reference purposes.

## Acronyms and Abbreviations

The list of the acronyms and abbreviations that are used in this guide are as follows:

**Table 2 Acronyms and Abbreviations**

Abbreviations	Description
CCY	Currency
LC	Letter of Credit
LIQD	Liquidation
LN	Bilateral loans
LS	Loan Syndication
OL	Oracle Lending

## Basic Actions

**Table 3 List of Basic Actions**

Action	Description
<b>Approve</b>	Click <b>Approve</b> to approve the initiated report. This button is displayed, once the user click <b>Authorize</b> .
<b>Audit</b>	Click <b>Audit</b> to view the maker details, checker details of the particular record, and record status. This button is displayed only for the records that are already created.
<b>Authorize</b>	Click <b>Authorize</b> to authorize the record created. A maker of the screen is not allowed to authorize the report. Only a checker can authorize a record. This button is displayed only for the already created records.
<b>Close</b>	Click <b>Close</b> to close a record. This action is available only when a record is created.
<b>Confirm</b>	Click <b>Confirm</b> to confirm the performed action.
<b>Cancel</b>	Click <b>Cancel</b> to cancel the performed action.
<b>Compare</b>	Click <b>Compare</b> to view the comparison through the field values of old record and the current record. This button is displayed in the widget, once the user click <b>Authorize</b> .
<b>Collapse All</b>	Click <b>Collapse All</b> to hide the details in the sections. This button is displayed, once the user click <b>Compare</b> .
<b>Expand All</b>	Click <b>Expand All</b> to expand and view all the details in the sections. This button is displayed, once the user click <b>Compare</b> .
<b>New</b>	Click <b>New</b> to add a new record. The system displays a new record to specify the required data.


 **Note:**  
The fields which are marked in asterisk red are mandatory fields.













Table 3 (Cont.) List of Basic Actions

Action	Description
<b>OK</b>	Click <b>OK</b> to confirm the details in the screen.
<b>Save</b>	Click <b>Save</b> to save the details entered or selected in the screen.
<b>View</b>	Click <b>View</b> to view the report details in a particular modification stage. This button is displayed in the widget, once the user click <b>Authorize</b> .
<b>View Difference only</b>	Click <b>View Difference only</b> to view a comparison through the field element values of old record and the current record, which has undergone changes. This button is displayed, once the user click <b>Compare</b> .

## Symbols and Icons

The list of symbols and icons available on the screens are as follows:

Table 4 Symbols and Icons - Common

Symbol/Icon	Function
	Minimize
	Maximize
	Close
	Perform Search
	Open a list
	Navigate to the first record
	Navigate to the last record
	Navigate to the previous record
	Navigate to the next record
	Grid view
	List view
	Refresh



**Table 4 (Cont.) Symbols and Icons - Common**




















Symbol/Icon	Function
	Click this icon to add a new row.
	Click this icon to delete a row, which is already added.
	Calendar
	Alerts
	Unlock Option
	View Option
	New
	Enter query
	Execute query
	Copy
	Delete
	Save
	Search
	Advanced search
	Clear all
	Reset
	Export
	Print
	View Details

Table 4 (Cont.) Symbols and Icons - Common












Symbol/Icon	Function
	Sorting

Table 5 Symbols and Icons - Widget

Symbol/Icon	Function
	Open status
	Unauthorized status
	Rejected status
	Closed status
	Authorized status
	Modification Number
	Hold
	Reverse
	Authorize
	Rollover

# 1

## Building Tax Components

This topic explains the processing of tax to be paid to the Government on the contracts. This type of tax is processed as an Expense type of tax, whereby you book the tax component into a Tax Expense account, to be paid to the Government.

This topic contains following sub-topics:

- [Steps Involved in Processing Tax](#)
- [Defining Tax Rules](#)
- [Maintaining a Tax Scheme](#)
- [Processing Tax on a Contract](#)
- [Maintaining Tax Categories for contracts](#)
- [Maintaining Tax Group Type Details](#)
- [Annexure -Tax Calculations](#)

### 1.1 Steps Involved in Processing Tax

Depending on the laws in your country, you can define tax as an expense type of tax. The following steps are involved in processing tax:

1. Defining tax rules
2. Defining tax schemes
3. Associating a product with a tax scheme

### 1.2 Defining Tax Rules

A tax rule identifies the method in which a tax component (a stock exchange tax, a local tax, and so on.) is calculated. You can build tax rules in the **Rule Master Definition** and **Tax Rule Maintenance** screen.

This topic contains following sub-topics:

- [Rule Master Definition screen](#)
- [Tax Rule Maintenance screen](#)
- [Viewing the Tax Rule History Details](#)

#### 1.2.1 Rule Master Definition screen

**To capture details of rule master maintenance screen**

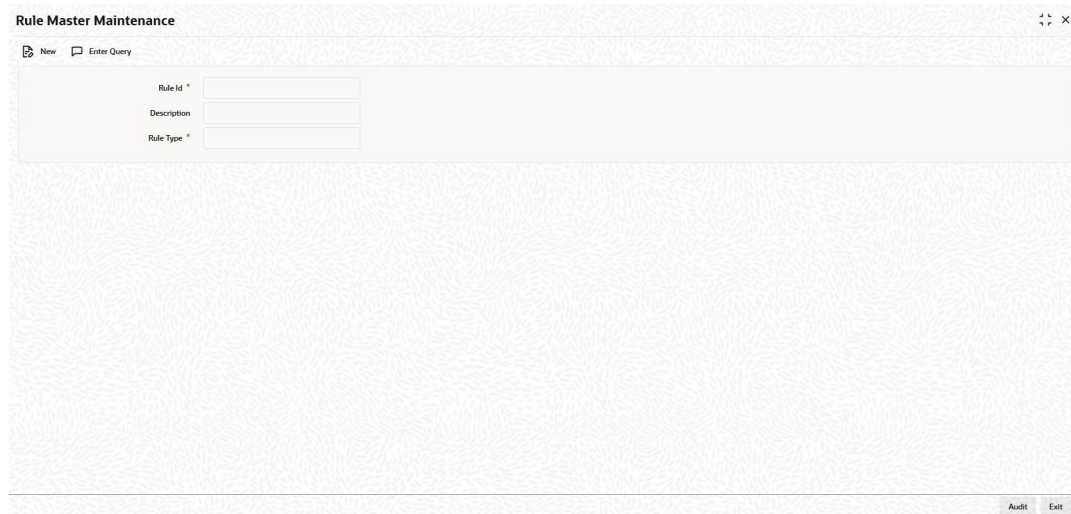
Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **LFDR LAVL** and click next arrow.  
The **Rule Master Maintenance** screen is displayed.

 **Note:**

The fields which are marked in asterisk red are mandatory fields.

**Figure 1-1 Rule Master Maintenance**



2. You can enter below details in this screen. For information on fields, refer to the field description table.

**Table 1-1 Rule Master Maintenance**

Field	Description
<b>Rule ID and Description</b>	In <b>Rule Master Definition</b> screen, assign a unique <b>Rule ID</b> and a brief <b>Rule ID Description</b> to the rule being built.
<b>Rule Type</b>	Select the <b>Rule Type</b> as <b>Tax</b> .

## 1.2.2 Tax Rule Maintenance screen

### To capture details of tax rule maintenance screen

Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **TXDRULES** and click next arrow.  
The **Tax Rule Maintenance** screen is displayed.

 **Note:**

The fields which are marked in asterisk red are mandatory fields.

**Figure 1-2 Tax Rule Maintenance**

- You can enter below details in this screen. For information on fields, refer to the field description table.

**Table 1-2 Tax Rule Maintenance**

Field	Description
<b>Rule Code</b>	Specify the valid tax rule ID that you maintain in your bank. The adjoining option list displays the list of all rule IDs available in the system. You can select the appropriate one. These rule IDs are fetched from <b>Rule Master Definition</b> screen. The tax rule is maintained for a combination of Rule ID + Currency + Country +Nationality + Customer Group + Customer Number + Effective Date.
<b>Rule Code Description</b>	The <b>Rule Code Description</b> appears based on the rule ID.
<b>Currency</b>	The currency selected indicates the transaction currency. You also have the option to select <b>ALL</b> to indicate that the rule is applicable to transactions in any currency. It is mandatory to specify the currency to save the Tax Rule. Then define the attributes of the rule, such as the Effective Date, the Tax Currency and the application method.
<b>Customer Group</b>	You have maintained Charge and Tax type of customer groups through the <b>Customer Group Maintenance</b> screen and categorized customer's into different charge and tax groups through the <b>Customer Information Maintenance</b> screen. While building a tax rule, you can indicate whether the rule is to be made applicable on a charge type customer group or whether it is to be made applicable on a tax type of customer group. If a transaction charge/tax is defined for a charge/tax type of customer group, the transactions involving customers in the group automatically acquire the charge/tax unless you choose to override it by creating a specific charge/tax set-up for the particular customer.
<b>Customer No</b>	Customer numbers are maintained by your bank in the <b>Customer Information Maintenance</b> screen. You can choose the customer for whom the tax rule is being defined. You can also choose to define the tax rule for all the customers of your branch.

**Table 1-2 (Cont.) Tax Rule Maintenance**

Field	Description
<b>Effective Date for a Tax Rule</b>	<p>Every tax rule is associated with an <b>Effective Date</b>. On the specified Effective Date, the rule becomes applicable. When more than one rule is linked to a Tax Scheme, a rule is applied till the next rule for the same component, with a different Effective Date comes.</p> <p><b>Example</b></p> <p>The following example illustrates how the different rules in a Tax Scheme are applied.</p> <p>You have defined the following Tax Rules (only the fields relevant to the example are discussed):</p> <ol style="list-style-type: none"> <li><a href="#">Table 1-3</a></li> <li><a href="#">Table 1-4</a></li> </ol> <p>When these rules are linked to a single tax scheme, the tax is applied in the following manner:</p> <p>From 1 January 1999 to 31 March 1999, the interest paid on contracts are taxed at 0.5%. From 1 April 1999 onwards, the interest paid is taxed at 0.75%. Interest continues to be taxed at 0.75% till another rule with a different Effective Date is added to the scheme.</p>
<b>Special Tax Type</b>	<p>Select the special tax type from the drop-down list. The list displays the following values.</p> <ul style="list-style-type: none"> <li>Chapter 3</li> <li>FATCA</li> <li>Normal tax</li> <li>Financial Operations Tax</li> </ul>

**Table 1-3 Tax Rule 1**

<b>Rule Code</b>	TxD1
<b>Effective Date</b>	1 January 1999
<b>Component</b>	Interest
<b>Tax Rate</b>	0.5%

**Table 1-4 Tax Rule 2**

<b>Rule Code</b>	TxD2
<b>Effective Date</b>	1 January 1999
<b>Component</b>	Interest
<b>Tax Rate</b>	0.75%

This topic contains following sub-topics:

- [Specifying the Tax Application Method](#)
- [Defining Slabs and Tier Structures](#)

### 1.2.2.1 Specifying the Tax Application Method

A tax can be a percentage of the component that is to be taxed (such as the principal, brokerage, and so on.), or a flat amount. If you choose to calculate tax as a flat amount, choose the **Flat** option. If you choose to calculate tax as a percentage of the transaction

amount, choose the **Rate** option. If tax is to be calculated as a flat amount, specify the flat amount.

### Example

For tax rule TX01, you have maintained the following details:

Code	TX01
Tax Currency	Local CCY
Tax (Type)	Rate
Rate	1.5
Min. Amount	1,000
Max. Amount	10,000

This tax rule is applied on a securities deal. The deal currency is USD and the local currency is EUR. The exchange rate between the two currencies is 1.9 (where 1.9 units of USD are equal to 1 EUR). The amount involved in the deal is 90,000 USD and tax has to be paid in EUR. Assume that tax is levied on the deal amount in your country.

Before tax is applied on the deal, the minimum and maximum amounts are converted into the deal currency (USD) as follows:

- Min. Amount: USD 1900 (EUR 1000 \* 1.9)
- Max. Amount: USD 19000 (EUR 10000 \* 1.9)

The tax amount for this deal is calculated as follows:

$90000 * 1.5/100 = \text{USD } 1,350$  (tax amount in deal CCY)

Tax amount in Local CCY =  $1350/1.9 = 710.52$  EUR

As this amount is less than the Minimum (Tax) Amount specified for this tax rule, a tax of 1000 EUR is levied on the deal, instead of 710.52 EUR. On the other hand, if the tax calculated was more than the maximum tax amount, 10,000 EUR would be applied as tax, since that is the maximum possible tax that can be levied.

If you have specified a flat amount for the tax rule, then you need not specify the minimum and maximum amount limits.

#### Note:

The minimum and maximum limits apply for specific rules linked to a Tax Scheme, and not for the entire scheme.

## 1.2.2.2 Defining Slabs and Tier Structures

You can define the tax that you would like to apply to a contract, in terms of a tier or a slab structure.

Through this screen, first specify if the Basis Amount (on which tax is calculated) should be taken as a slab or a tier. Indicate **Cumulative** (by selecting the check box), if the Basis Amount structure is a Tier. Leave it blank if the Basis Amount structure is a Slab.

The following example illustrates how this works:

### Example

You have the following Amount Basis (cumulative) structure for a Tax Rule defined for tax on the deal amount:

Amount	Rate
0 to 250,000	1%
> 250,000 <= 1 Million	2%
> 1 Million <= 3 Million	2.5%
> 3 Million	3%

When this tax rule is applied on a deal of USD 1.5 million, the rate of tax is calculated depending on whether the Amount Basis has been defined as a slab or as a tier. The different methods are calculated as follows:

- **Tier basis**  
The first 250,000 is taxed at 1%  
Amount from 250,001 to 1,000,000 at 2%  
Amount from 1,000,001 to 1,500,000 at 2.5%
- **Slab basis**  
The entire USD 1.5M is taxed at 2.5%

## 1.2.3 Viewing the Tax Rule History Details

You can view the history of tax rule in the **Tax Rule Maintenance History** screen.

### To capture details of tax rule maintenance history screen

Specify the **User ID** and **Password**, and login to Homepage.

- On the Homepage, type **TXDRLHIS** and click next arrow.  
The **Tax Rule Maintenance History** screen is displayed.

#### **Note:**

The fields which are marked in asterisk red are mandatory fields.



Figure 1-3 Tax Rule Maintenance History

## 1.3 Maintaining a Tax Scheme

To capture details of tax scheme maintenance screen

Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **TXDSCMNT** and click next arrow.  
The **Tax Scheme Maintenance** screen is displayed.

### Note:

The fields which are marked in asterisk red are mandatory fields.

**Figure 1-4 Tax Scheme Maintenance**

2. You can enter below details in this screen. For information on fields, refer to the field description table.

**Table 1-5 Tax Scheme Maintenance Details**

Field	Description
<b>Scheme Code</b>	Specify the tax scheme that you are maintaining with a unique code. A scheme consists of several tax components (classes).
<b>Description</b>	Specify the description of tax scheme.
<b>Rule ID</b>	Specify the valid tax <b>Rule ID</b> that you maintain in your bank. The adjoining option list displays the list of all rule IDs available in the system. You can select the appropriate one. These rule IDs are fetched from <b>Rule Master Definition</b> screen.

This topic contains following sub-topics:

- [Linking a Tax Scheme to a Product](#)

### 1.3.1 Linking a Tax Scheme to a Product

A tax scheme is linked to a product, only if tax is applicable to the product. This linkage is established through the **Tax Details** sub-screen of **Loans and Deposits Product Definition** screen. The tax scheme linked is applicable on a contract processed under the product by default. However, you have the option of waiving the application of tax, for a specific contract.

A tax rule represents the method in which a specific tax has to be applied. Thus, for a tax component to be levied on a contract, you should specify:

- The currency in which the tax has to be levied.
- Whether it is a flat amount or a percentage of the component amount to be taxed.
- The slab or tier structure, based on which the tax should be calculated

In addition, also specify the minimum and maximum amount of tax that can be applied for a specific rule.

A tax scheme can consist of a set of tax rules that can be applied to a product.

A tax rule defines the method in which tax has to be calculated. The amount based on which the tax has to be applied, is not specified for a tax rule. This definition is done when the tax scheme is linked to a product.

The system offers flexibility, in terms of specifying the method in which tax has to be calculated.

### **Example**

In the LC product module, for one type of product, you could use a tax rule to apply tax on the commission earned from the customer while for another product, you can use the same rule, to apply tax on the LC amount.

A tax scheme is made applicable to a product when it is linked to the product. Once the tax scheme is specified for linkage, indicate:

- The component on which each rule should be applied.
- The event at which the tax should be liquidated and the type of tax – **withholding** or **expense**.

Click **Tax** from the **Loans and Commitment Product Definition** (OLDPRMNT) screen to link a tax scheme to a product.

This topic contains following sub-topics:

- [Linking a tax scheme to Bilateral Loan Products](#)
- [Linking a tax scheme to Syndication Loan Products](#)
- [Features of the Tax Details screen](#)

## 1.3.1.1 Linking a tax scheme to Bilateral Loan Products

Tax rules for the respective component have to be mapped in the **LB OL Product & Component Mapping** screen (LBDPCMAP) for seamless propagation of the tax component to the Bilateral Loans side.

## 1.3.1.2 Linking a tax scheme to Syndication Loan Products


A tax scheme is linked to syndication loans products through the **Tax Details** sub-screen of **Loans Syndication - Facility Product Definition**, **Loans Syndication - Borrower Product Definition** and **Participant Product Definition** screens. The tax scheme linked is applicable on a contract processed under the product, only if tax is applicable to the product, which is captured in **Preferences** sub-screen. However, you have the option of waiving the application of tax, for a specific contract.

## 1.3.1.3 Features of the Tax Details screen

**Table 1-6 Features of the Tax Details screen**

Field	Description
<b>Tax Category</b>	You can specify tax category for each tax rule that is linked to a tax scheme. To do this, select the tax category from the drop-down list against each tax rule. However, while processing a contract, you can waive the application only for those tax rules for which you have setup tax categories.

**Table 1-6 (Cont.) Features of the Tax Details screen**

Field	Description
<b>Basis Component</b>	<p>Tax can be applied on the basis of any component that is taxable according to the laws in your country. This component is called the Basis Component. The method of tax application defined for the tax rule is applied on this component.</p> <div data-bbox="1149 531 1192 569" style="float: right;">  </div> <div data-bbox="1198 531 1279 564" style="float: right;"> <p><b>Note:</b></p> </div> <div data-bbox="1198 590 1430 732" style="float: right;"> <p>Typically the event is <b>FLIQ</b> for fee components and <b>LIQD</b> for interest components.</p> </div>
<b>Event for tax application</b>	<p><b>Example</b></p> <p>Tax can be applied on the LC amount, the commission or charge component. These are called the Basis Component. The method of tax application defined for the tax rule is applicable on this component.</p> <p>You should specify the event upon which the tax is to be applied. For example, if you specify that the tax be to be applied at the time the commissions are collected from the customer, then the entries for tax are passed when the commission is paid.</p>

**Table 1-6 (Cont.) Features of the Tax Details screen**

Field	Description
<b>Type of Tax - withholding or expense type</b>	<p>The type of tax, decides the bearer the tax. It could be the bank or the customer.</p> <p>A customer bears withholding type of tax and the tax component is debited to the customer's account. The bank bears an expense type of tax and the tax component is booked to a tax expense account.</p> <p><b>Example</b></p> <p>For an LC it is always the bank, which bears the tax. Hence, a tax that is levied always falls under an Expense type. The tax is debited from an expense account and put in a tax payable account, from where it is subsequently paid to the government.</p>

 **Note:**

The tax details specified for a product are automatically applied on all contracts involving the product. However, while processing a contract, you can waive the application of all or specific tax rules for the contract.

## 1.4 Processing Tax on a Contract

The taxes that apply on a contract can be of two types: **Expense** and **Withholding**. The tax that is borne by your bank is referred to as an **Expense** type of tax. This tax is booked to a **Tax Expense** account. The tax that is borne by counter party of a contract is referred to as a withholding tax, whereby you debit the counter party's account, and credit the tax component into a tax payable account (to be paid to the government on the counter party's behalf).

**Example**

A tax on a Letter of Credit (LC) can be levied either on the:

- Outstanding LC amount.
- On the commissions and charges that you earn to process the LC.

In both cases, it is the bank that bears the tax - this is an expense type of tax. The tax expense account should be debited and the tax payable account should be credited. From this liability account, the tax should be later on, paid to the government.

**To capture details of tax details screen**

Specify the **User ID** and **Password**, and login to Homepage.

From the Homepage, navigate to **Loan and Commitment-Contract Input** screen (OLDTRONL).

1. From the **Loan and Commitment-Contract Input** screen, click on **Tax**.  
The **Tax Details** screen is displayed.

 **Note:**

The fields which are marked in asterisk red are mandatory fields.

**Figure 1-5 Tax Details**

2. You have a choice of waiving tax due to all the tax rule(s) linked to the tax scheme applicable to the product (and hence the contract) or that which is only due to specific tax rule(s).

 **Note:**

Only the tax that has not yet been liquidated can be waived.

While processing the contract, the system picks the waiver details from **Customer Tax Category Maintenance** screen and tax category details from **Tax Category Maintenance** screen. Similarly the customer and customer tax category details are picked from Deal and Customer maintenance respectively. The value date specified in the deal is taken as the date for waiver check.

This topic contains following sub-topics:

- [Waiving of Tax in Sequence](#)

## 1.4.1 Waiving of Tax in Sequence

In Oracle Lending, the waiver information for Customer Tax Category, Tax Category, Customer and Effective Date combination is searched in the following order.

**Table 1-7 Waiver Information**

Customer Tax Category	Customer	Tax Category	Effective Date
Customer Tax Category	Customer	Tax Category	Effective Date
Customer Tax Category	ALL	Tax Category	Effective Date
ALL	ALL	Tax Category	Effective Date



**Note:**

If you do not maintain waiver details for any of the above combination, no waiver is applied for the component.

For more information on fields and tabs, refer to *Bilateral Loans User Manual*.

## 1.5 Maintaining Tax Categories for contracts

While maintaining customer information details you need to capture waiver information for tax computation. All the tax categories you maintain here are displayed at the product level, allowing you to link the tax category to the product.

Tax categories, along with a brief description of the category can be maintained through the **Tax Category Maintenance** screen.

### To capture details of tax category maintenance screen

Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **TXDCATMT** and click next arrow.

The **Tax Category Maintenance** screen is displayed.




**Note:**

The fields which are marked in asterisk red are mandatory fields.

**Figure 1-6 Tax Category Maintenance**

2. You can enter below details in this screen. For information on fields, refer to the field description table.

**Table 1-8 Tax Category Maintenance**

Field	Description
<b>Tax category</b>	You can capture a unique code to identify the tax category.
<div style="border: 1px solid #0070C0; padding: 10px; background-color: #E6F2FF;"> <p> <b>Note:</b></p> <p>While maintaining product details and associating a tax category, a list of all the valid tax categories you have maintained in this screen are available in the option list for the Tax category field. You can select the appropriate code.</p> </div>	
<b>Description</b>	You can also associate a brief description with the tax category. This description is for information purposes only and not be printed on any customer correspondence.
<b>Category Type</b>	Here you can classify each tax category under Tax or IC. If the tax category is maintained under Tax, the categories are available at the product level for selection. However, the tax category maintained under IC are available only at the IC rule definition level. You need to calculate the tax on customer account balances.

## 1.6 Maintaining Tax Group Type Details

You can use the **Tax Group Type Maintenance** screen to map the tax rule to tax group and payment type. You can perform the following operations in this screen:


- New
- Delete
- Save
- Auth



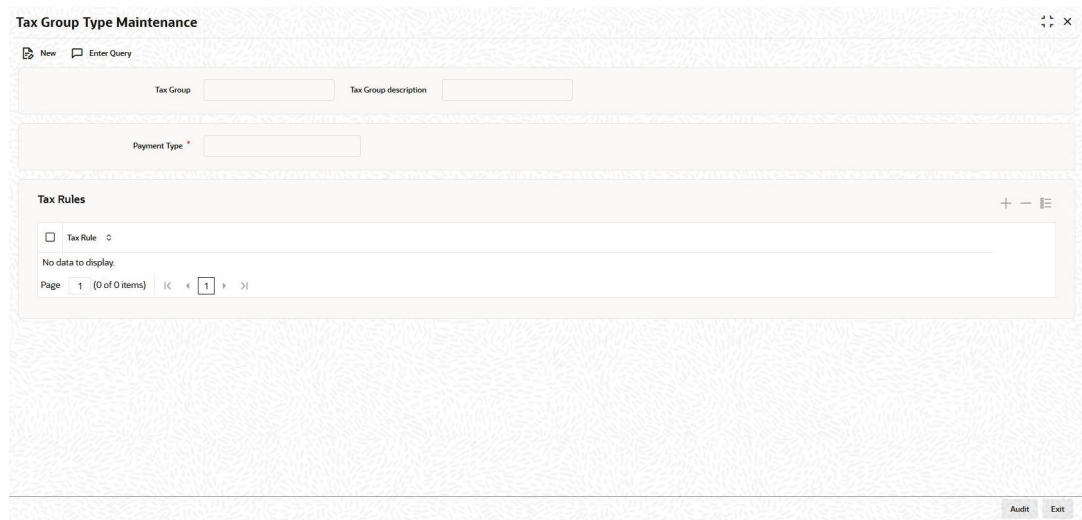
**To capture details of tax group type maintenance screen**

Specify the **User ID** and **Password**, and login to Homepage.

1. On the Homepage, type **TXDTXGRP** and click next arrow.  
The **Tax Group Type Maintenance** screen is displayed.

 **Note:**  
The fields which are marked in asterisk red are mandatory fields.

**Figure 1-7 Tax Group Type Maintenance**



2. You can enter below details in this screen. For information on fields, refer to the field description table.

**Table 1-9 Tax Group Type Maintenance**

Field	Description
<b>Tax Group</b>	Specify the tax group to which the tax rule is to be mapped.
<b>Payment Type</b>	Select the payment type from the adjoining drop-down list. The list displays the following values. <ul style="list-style-type: none"> <li>• Fee</li> <li>• Interest</li> </ul>
<b>Tax Rule</b>	Specify the tax rule which is to be linked to the tax group. The adjoining option list displays all valid tax rules maintained in the system. You can select the appropriate one.

## 1.7 Annexure -Tax Calculations

**Examples**

Consider the following Basis Amount Structure is maintained for a tax rule.

Amount	Rate
5,000	2
25,000	5
1,00,000	8
25,00,000	10
1,00,00,000	15

1. When the above tax rule is applied on an amount of USD 18,00,000 then the tax is calculated as follows, depending on whether the Amount Basis is defined as a slab or as a tier.

- **Tier Basis:**

- The first 5,000 is taxed at rate 2%
- Amount from 5,001 to 25,000 is taxed at rate 5%
- Amount from 25,001 to 1,00,000 is taxed at rate 8%
- Amount from 1,00,001 to 18,00,000 is taxed at rate 10%

- **Slab Basis:**

- The entire amount of 18,00,000 is taxed at rate 10%

2. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX\_1** is attached to a Fee component **FEE\_1**, with a due amount of 30,000 USD.

Then the tax for the participants is calculated as follows:

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax credited to Participant1, Tom = 10% of 12,000 = 1200 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax credited to Participant2, Bob = 15% of 18,000 = 2700 USD
- So, tax collected from borrower, Leo = 1200 + 2700 = 3900 USD

3. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX\_1** is attached to a Fee component **FEE\_1**, with a due amount of 30,000 USD.

Assume there are no separate Tax Rates maintained for the participants Tom and Bob under **Rule Master Maintenance**.

Then, the tax rate from the **ALL** combination record is used for tax calculation.

Assume the tax rate for **ALL** combination, for the basis amount of 30,000 is maintained as 20% on a slab basis, the tax calculation is as follows:

- Tax collected from borrower, Leo = 20% of 30,000 = 6,000 USD
- Tax credited to Participant1, Tom = 40% of 6,000 = 2,400 USD
- Tax credited to Participant2, Bob = 60% of 6,000 = 3,600 USD

4. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX\_1** is attached to a Fee component **FEE\_1**, with a due amount of 30,000 USD.

The basis amount structure for the combination of tax rule **TX\_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate

Basis Amount To	Rate
500	5
1,000	7
10,000	10
15,000	15
50,000	20

The basis amount structure for the combination of tax rule **TX\_1** and customer **Bob** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate

Basis Amount To	Rate
5,000	5
10,000	8
25,000	12
50,000	15
5,00,00,000	20

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax rate for Tom, for a basis amount of 12,000 = 15%
- Tax credited to Tom = 15% of 12,000 = 1800 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax rate for Bob, for a basis amount of 18,000 = 12%
- Tax credited to Bob = 12% of 18,000 = 2160 USD
- So, tax collected from borrower, Leo = 1800 + 2160= 3960 USD

5. Consider the following scenario:

- Counterparty: Leo

- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX\_1** is attached to a Fee component **FEE\_1**, with a due amount of 30,000 USD.

The basis amount structure for the combination of tax rule **TX\_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate
- Minimum Amount: 100
- Maximum Amount: 10,000

Basis Amount To	Rate
1,000	10
10,000	12
25,000	15
50,000	20

The basis amount structure for the combination of tax rule **TX\_1** and customer **Bob** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate
- Minimum Amount: 100
- Maximum Amount: 1500

Basis Amount To	Rate
500	5
1,000	8
5,000	10
20,000	12

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
  - Tax rate for Tom, for a basis amount of 12,000 = 15%
  - Tax credited to Tom = 15% of 12,000 = 1800 USD
  - Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
  - Tax rate for Bob, for a basis amount of 18,000 = 12%
  - Tax credited to Bob = 12% of 18,000 = 2160 USD
  - Since the maximum amount maintained for this combination is only 1500, tax collected is = 1500 USD
  - So, tax collected from borrower, Leo = 1800 + 1500 = 3300 USD
6. Consider the following scenario:
- Counterparty: Leo
  - Participant1: Tom, Asset Ratio: 40%

- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX\_1** is attached to a fee component **FEE\_1**, with a due amount of 30,000 USD.

The basis amount structure for the combination of tax rule **TX\_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Flat

Basis Amount To	Flat Amount
500	50
1,000	200
10,000	500
15,000	2,000
50,000	5,000

The basis amount structure for the combination of tax rule **TX\_1** and customer **Bob** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Flat

Basis Amount To	Flat Amount
500	50
10,000	1,000
25,000	3,000
50,000	8,000
5,00,00,000	12,000

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax amount for Tom, for a basis amount of 12,000 = 2000 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax amount for Bob, for a basis amount of 18,000 = 3000 USD
- So, tax collected from borrower, Leo = 2000 + 3000 = 5000 USD

7. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX\_1** is attached to a fee component **FEE\_1**, with a due amount of 30,000 USD

The basis amount structure for the combination of tax rule **TX\_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate

Basis Amount To	Rate
500	5
1,000	10
10,000	12
15,000	13
50,000	16

The basis amount structure for the combination of tax rule **TX\_1** and customer **Bob** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Flat

Basis Amount To	Flat Amount
5,000	500
10,000	1,500
25,000	2,000
50,000	5,000
5,00,00,000	15,000

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax rate for Tom, for a basis amount of 12,000 = 13%
- Tax credited to Tom = 13% of 12,000 = 1560 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax amount for Bob, for a basis amount of 18,000 = 2000 USD
- So, tax collected from borrower, Leo = 1560 + 2000 = 3560 USD

8. Consider the following scenario:

- Counterparty: Leo
- Participant1: Tom, Asset Ratio: 40%
- Participant2: Bob, Asset Ratio: 60%
- Consider a tax rule **TX\_1** is attached to a Fee component **FEE\_1**, with a due amount of 30,000 USD.

The basis amount structure for the combination of tax rule **TX\_1** and customer **Tom** is maintained as follows:

- Amount Basis: Slab
- Rule Method: Rate

Basis Amount To	Rate
500	5
1000	7
10000	10
15000	15
50000	20

The basis amount structure for the combination of tax rule **TX\_1** and customer **Bob** is maintained as follows:

- Amount Basis: Tier
- Rule Method: Rate

Basis Amount To	Rate
5,000	5
10,000	8
25,000	12
50,000	15
5,00,00,000	20

- Fees for Participant1, Tom = 40% of 30,000 = 12,000 USD
- Tax rate for Tom, for a basis amount of 12,000 = 15%
- Tax credited to Tom = 15% of 12,000 = 1800 USD
- Fees for Participant2, Bob = 60% of 30,000 = 18,000 USD
- Tax credited to Bob = (5% of 5000) + (8% of (10000-5000)) + (12% of (18000 – 10000)) = 250+400+960 = 1610 USD
- So, tax collected from borrower, Leo = 1800 + 1610 = 3410 USD

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