

Avalara Sales Tax Integration with Standard ERP (Brazil)

Introduction

Brazil has a very complex tax system. Therefore, as a part of Brazilian localisation, we have developed an integration between Standard ERP and Avatax, Avalara tax engine, to enable tax calculation and issuing an electronic invoice, called 'Nota Fiscal'.

The data populated in Contacts, Items and Invoices in Standard ERP are sent through an API web service to Avalara, which calculates taxes and responds to Standard ERP, providing complete information on tax impacts for that service provided or goods sold. Taxes are stored in the Tax Matrix and further booked in the Nominal Ledger, according to common bookkeeping rules from Brazil.

Setup

To enable Avatax Integration in Standard ERP, the user must follow some important setting procedures:

Nominal Ledger >> Settings >> Tax Integration Avalara

This setting allows the user to set up a connection between Standard ERP and Avatax.

Host – avatar.avalarabrasil.com.br

Username – Must be filled with the username from Avalara Portal.

Password – Must be filled with the customer password on Avalara Portal.

Company – Must be filled with the company unique identifier from Avalara Portal, usually, this will be the company CNPJ (Brazil Tax Number).

Checkbox "Enable Integration" must be checked.

VAT codes

To be able to use Avalara integration, all VAT codes need to be set up properly by each Tax Type and Account for credit and debit on a sales operation. Some VAT codes will be filled in by default in the setup, but it's important to double-check it, as it will impact Nominal Ledger transactions once a Nota Fiscal is issued.

EXEMP BR: VAT Codes: Inspect								
	Code	Excl....	Incl. %	Outp A/C	O/P A/C	Inp A/C	I/P A/C	Description
37	APROXTRIBC			8301	8301OP	83011		
38	APROXTRIBF			8302	8302OP	83021		
39	COFINS			8303	8303OP	83031		
40	COFINSRF			8304	8304OP	83041		
41	CSLL			8305	8305OP	83051		
42	CSLLRF			8306	8306OP	83061		
43	INSS			8307	8307OP	83071		
44	INSSRF			8308	8308OP	83081		
45	IRPJ			8309	8309OP	83091		
46	IRRF			8310	8310OP	83101		
47	ISS			8311	8311OP	83111		
48	PIS			8312	8312OP	83121		
49	PISRF			8313	8313OP	83131		
50	ISSRF			8314	8314OP	83141		

Make sure every Tax Type has its own credit and debit accounts in Outp A/C and O/P A/C. Withheld taxes should have their own VAT Code as well.

Example: COFINS can be credited as tax payable liability and debited as Sales Deduction Expense. When withheld it should be booked as a Tax to Recover Asset under the account COFINSRF.

New Attributes on Contact, Item and Invoice registers

To allow the integration to work seamlessly, multiple attributes have been added to the Contact, Item and Invoice registers. So, before activating the integration, make sure the customer's contact card, services/goods provided by the company, and invoices have all the necessary information to be sent to Avalara.

Contact card - Fill in all related information about the customer intended to be invoiced. Terms tile contains all fields related to taxes, such as COFINS taxable, ICMS taxpayer and others. Company tile should be filled in with the CNPJ, CNAE, Municipality and State Codes from the Customer.

Item card - Define if the Item is a product or a service in the Item Type field and on the A/C tile, populate the correct codes from municipalities, such as HS Code, NCM and GTIN numbers. These codes are necessary for calculating the correct tax amount.

Invoice record - Populate the invoice record with the relevant sales information, such as the Invoice Type, Addresses, Comments to be added to the Nota Fiscal and all fields related to the item.

Flow

After the Invoice record is populated, select the action 'Send to Avalara E-Invoice' from the Operations Menu. This action will send all the information populated to Avatax and give back the tax values for this specific invoice. Taxes will be stored in the Tax Matrix. So after sending it, highlight the row with the Item in the matrix, and then from the Operations Menu, select 'Open Tax Matrix' to visualise taxes to be paid for that invoice. Tax Matrix displays all info for each tax type, like Tax Rate, Tax Sum, Description and if they were withheld or included.

After calculating taxes, use the action 'Generate RSP number' from the Operation Menu to create the sequence to send to the tax authority. After the RSP number is generated, the user can OK the Invoice.

EXEMP BR: Tax Matrix							
V-Clf	VAT %	Base	Tax Sum	Tax Type	Jurisdiction	Tax impact	Tax description
1	APROXTRIBC	2.70	1,500.00	40.50	aproxtribCity	City	Informative Trib aprox RS 40.50 Municipal, Fonte: BPT
2	APROXTRIBF	13.45	1,500.00	201.75	aproxtribFed	Country	Informative Trib aprox RS 201.75 Federal, Fonte: BPT
3	COFINS	3.00	1,500.00	45.00	cofins	Country	Included Lei nº 10.833/2003, Artigo 10, Inciso XXV
4	COFINSRF	0.00	1,500.00	0.00	cofinsRF	Country	Withheld Lei nº 10.833/2003, Artigos 30 e 31, Instrução Norma...
5	CSLL	0.00	1,500.00	0.00	csll	Country	Included
6	CSLLRF	0.00	1,500.00	0.00	csllRF	Country	Withheld Lei nº 10.833/2003, Artigos 30 e 31, Instrução Norma...
7	INSSRF	0.00	1,500.00	0.00	inssRF	Country	Withheld
8	IRPJ	0.00	1,500.00	0.00	irpj	Country	Included
9	IRRF	1.50	1,500.00	0.00	irrf	Country	Withheld
10	ISSRF	0.00	1,500.00	0.00	issRF	City	0 Decreto nº 9580/2018, Artigo 714, parágrafo 1º, Incis...
11	PIS	0.65	1,500.00	9.75	pis	Country	Included Lei nº 10.833/2003, Artigo 10, Inciso XXV c/c Artigo 1...
12	PISRF	0.00	1,500.00	0.00	pisRF	Country	Withheld Lei nº 10.833/2003, Artigos 30 e 31, Instrução Norma...

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After the Invoice is OK'd, go to the Operations Menu and select again 'Send to Avalara E-invoice' option. This will trigger the Nota Fiscal creation on the Municipality where the service was provided or the goods delivered. The response from the Tax Authority is an XML file legally required to be stored in the ERP. The XML will be stored in both Standard ERP and Avalara Portal.

Use the action 'Retrieve Nota Fiscal PDF' if sending to the customer the PDF document of the Nota Fiscal is required. This will retrieve the document and save it in the attachments, and it can be sent to the final customer.

In case of any mistake, it's also possible to cancel the Nota Fiscal in the Tax Authority. Use the Operations Menu action 'Cancel Nota Fiscal'. As a result of this action, the Nota Fiscal will be cancelled in the municipality and the Invoice record in Standard ERP will be invalidated. All effects of invalidating a record will apply.

Nominal Ledger Transaction

After the Invoice is OK'd, the Nominal Ledger Transaction is created following Brazil bookkeeping standards. NET value is booked in the Debtors and Full invoice value is credited as a Service/Sales income. Taxes are booked depending on their impact. Withheld taxes are debited as Tax Deductions and Included taxes are booked as Payables and credited in the bank account.

Sample: Transaction: Inspect

No. 10000088 Trans. Date 26/08/2021 Reference

Text 055 Brazilian CustomerINV_GBP

Account	Tags/Objects	Description	Additional Description	Base 1 Debit	Base 1 Credit	V-Cd
1 750		Debtors		3,814.00		B
2 135	DEPT1,SERV,SJ	Sales - Service EU			4,000.00	1 C
3 8303	DEPT1,SJ	COFINS			120.00	D
4 8304	DEPT1,SJ	COFINSRF		120.00		E
5 8306	DEPT1,SJ	CSLLRF		40.00		F
6 8312	DEPT1,SJ	PIS			26.00	G
7 8313	DEPT1,SJ	PISRF		26.00		
8 465		Rate Round Off		146.00		
9 468		Base Currency Round Off		0.00		
10						
11						
12						
13						
14						
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16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
Difference Base 1				0.00		
Difference Base 2				0.00		
Total				4,146.00	4,146.00	
Total				4,631.37	4,631.37	