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Calculating Self Reported Tax Late Filing and Payment Charges

Overview

Penalty and Interest charges are defined on the General tab of the Self Report Tax Category form. Separate penalties can be defined for each category. Separate A/R Class Codes can be applied to each penalty type.

There are multiple parameters for calculating late filing and late payment charges. These can be employed to meet the needs of the organization for the following:

- Computing Penalty and Interest on delinquent filings and balances
- Automatically waiving penalty interest at a certain percentage based on the number of waivers granted
- Adding a minimum and maximum late filing fee.

Configuring Late Filing and Late Penalty Charges

The configuration consists of the following steps:

- Creating A/R Class Codes for Self Reported Tax
- Defining Late Filing and Payment Charges
- Defining Waivers

Creating A/R Class Codes for Self Reported Tax

The first step is to ensure that you have all the required A/R Class Codes for the Self Reported Tax category. These include the:

- A/R Class Code for the Levy associated with the Category: This code is used for the original charge on the invoice.
- A/R Class Codes for Late Filing and Late Payment Penalties: You can create multiple Class Codes for penalties or use a single code for both late filing and late payment.

Note: The A/R Self Reported Tax Penalty and Interest Method must be used for the A/R Class Code for the Levy.
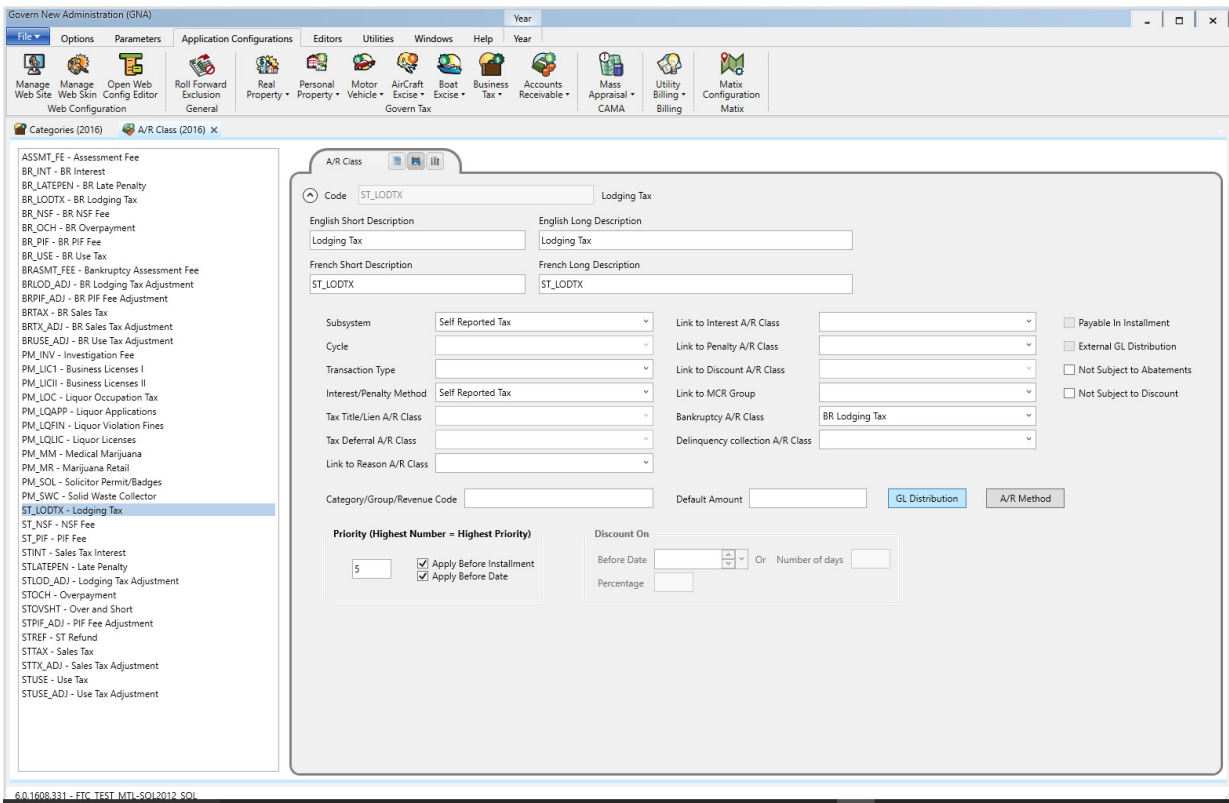
No Penalty and Interest Method is required for the A/R Class Codes used for the Late Filing and Late Payment penalties. The parameters for these penalties are set on the General tab of the Self Reported Tax form. *See Defining Late Filing and Payment Charges on page 5*.

Creating A/R Class Codes for SRT Levies

To create A/R Class Codes for the Levies:

1. Launch GNA.

2. Select **Application Configurations** > **Accounts Receivable** > **A/R Class**.

3. Click **New** to create a new Self Reported Tax A/R Class.

4. Select **Self Reported Tax** from the **Interest and Penalty Method** drop-down list.

5. Select **A/R Method** to open the A/R Method Self Reported Tax form if you want to add additional parameters described in the following section *Adding Additional Parameters for the Self Reported Tax Method*.

6. Complete the parameters for the A/R Class Code as described in the Accounts Receivable documentation.

7. Click **Save**.

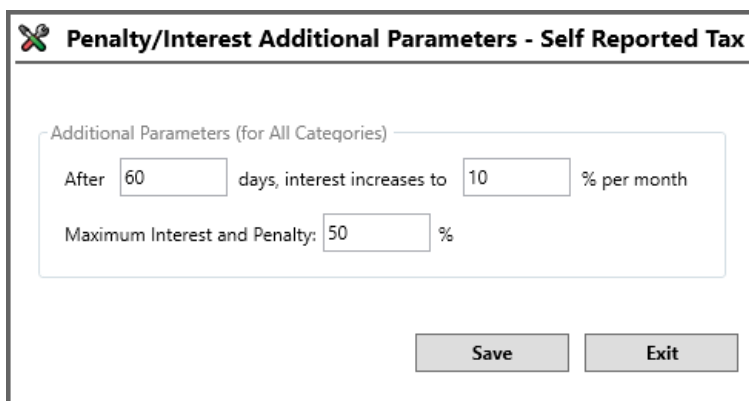## Defining Additional Parameters for the Self Reported Tax Method

Use the Penalty / Interest Additional Parameters – Self Reported Tax method to define charges that apply to all categories using the same A/R Class.

These parameters can be applied to increase the interest charges after a set number of day.s.

To set additional parameters for the Self Reported Tax Method:

1. Open the A/R Class form.

2. Select the required A/R Class Code.

3. Select **Self Reported Tax** from the Interest and Penalty Method drop-down list.

4. Click **A/R Method** to open the A/R Method Self Reported Tax form.

5. Enter the number of days following which interest charges increase in the **After** parameter.

6. Enter the percentage in the **Percentage %** parameter.

7. Enter the maximum percentage in the **Maximum Interest and Penalty** parameter.

8. Click **Save**.

Creating A/R Class Codes for Late Filing and Late Payment

No A/R Penalty and Interest Method is required for A/R Class Codes created for the Late Filing and Late Payment penalties. These penalties are configured on the General tab of the Self Reported Tax form.

You can create separate A/R Class Codes for each penalty or use a single code for all penalties. It depends on the requirements of your organization.

There are no special requirements for these class codes. Complete the parameters as described in the Accounts Receivable documentation.

Defining Late Filing and Payment Charges

Late Filing and Late Payment Charges are defined for each category on the **General** tab of the Self Reported Tax Category form. Other penalties are described in the main Self Reported Tax documentation. This section describes only the following topics:

- Defining the Late Filing Penalty Charges
- Defining the Late Payment Penalty Charges

Note: Late Filing penalties are charged as a single payment. Late Payment penalties are calculated on a daily or monthly basis.

*For related information, s*ee *the scenarios following this section for further details:Scenarios for Applying Late Filing and Late Payment Charges on page 9*.

Prerequisites

Before creating the Late Filing and Late Payment Penalty charges, you need an up-to-date Self Reported Tax Category form. *For details, refer to the Self Reported Tax documentation.*
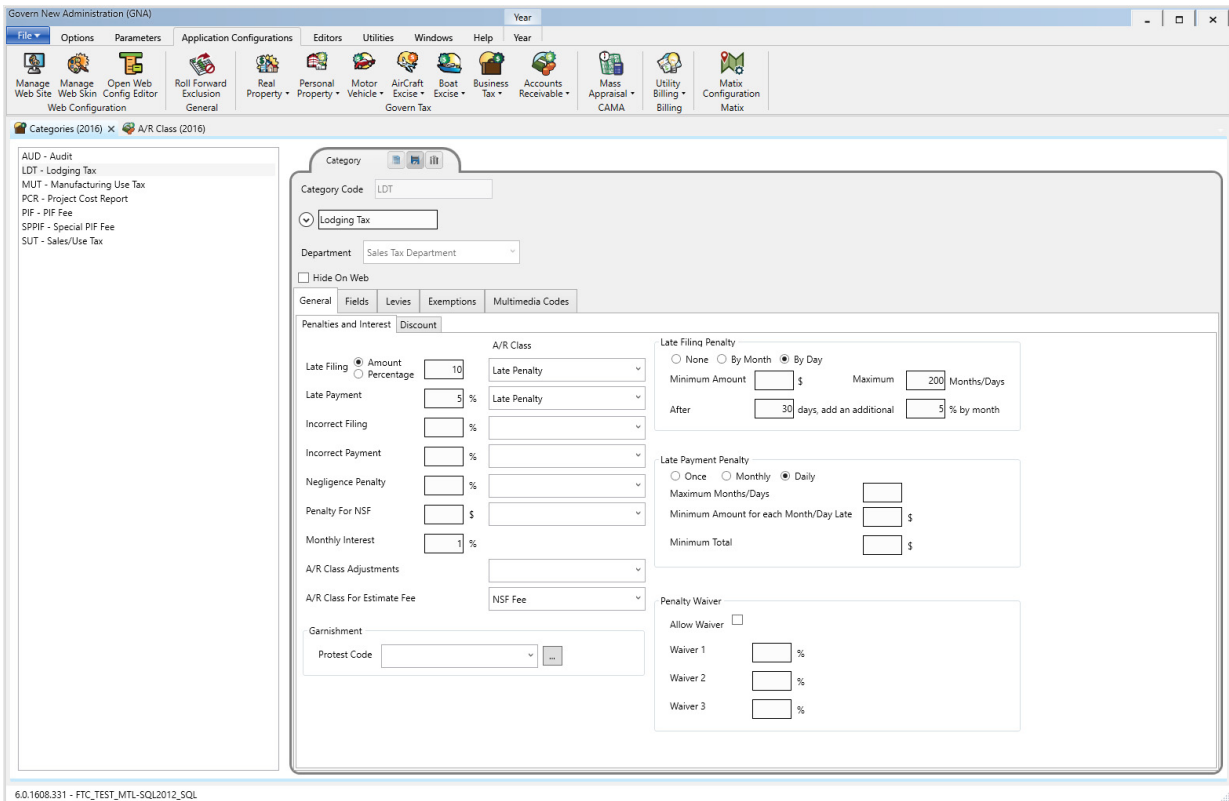
Defining the Late Filing Penalty Charges

The late filing Penalty is charged once. It can be calculated as fixed amount, or by month or by day.

To define late filing charges:

1. Launch GNA.
2. Select **Application Configurations** > **Business Tax** > **Categories**.
3. Select the required Category in the tree view on the left.
4. Open the **General** tab.

5. Select **Amount** or **Percentage** beside **Late Filing** depending on how you are calculating the charge.

6. Enter the amount or percentage in the parameter to the right of the radio buttons.

7. Select the A/R Class from the **A/R Class** drop-down list.

8. Complete the parameters for the **Late Filing Penalty**.

9. Do one of the following:
   - Select **Fixed Amount** if the penalty is charged as a set amount, instead of by day or month.
   - Enter the minimum amount of the penalty in **Minimum Amount** field.
   - Select **By Month** to apply the penalty by month and enter the maximum number of months in the **Maximum Months/Days** field.
   - Select **By Day** to apply the penalty by day and enter the maximum number of days in the **Maximum Months/Days** field.

     Then, if there are additional charges after a set number of days, enter

the number of days in the After filed. and enter the percentage in the% **By Month** field.
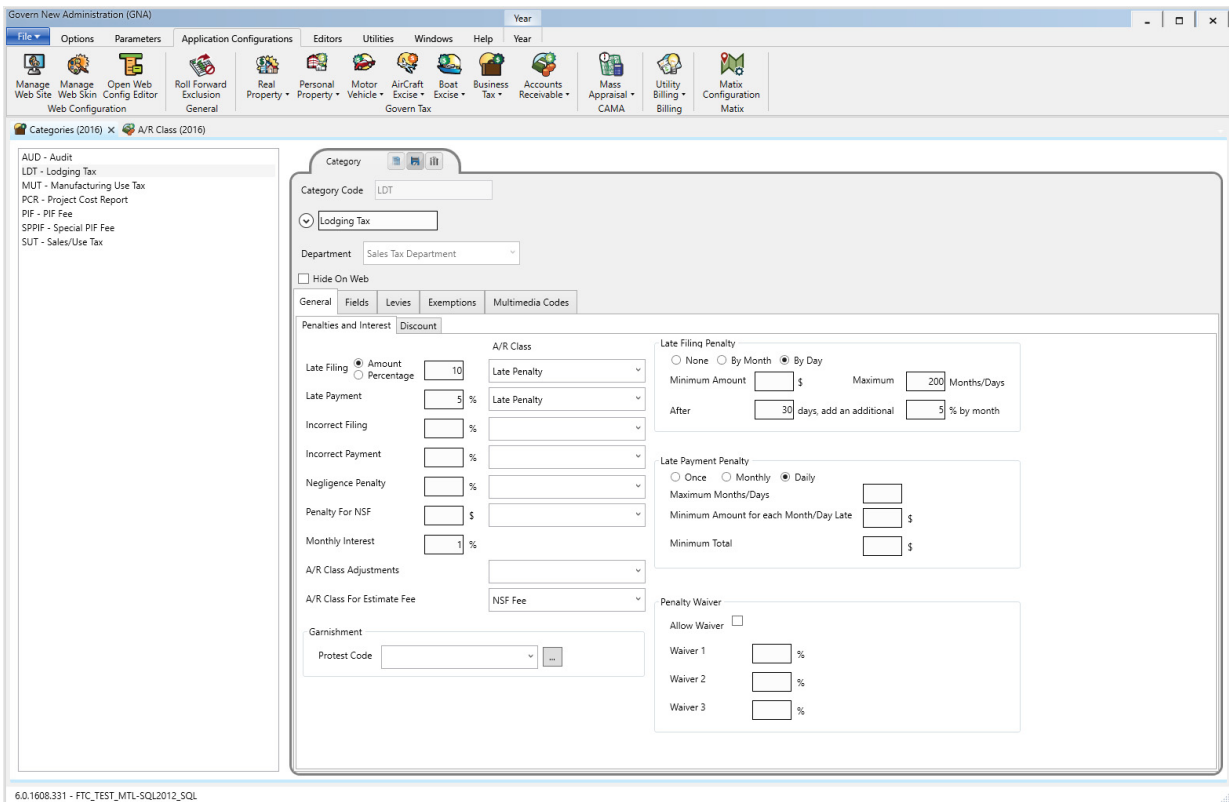
10. Click **Save**.

Defining the Late Payment Penalty Charges

Late Payment penalty charges are calculated with each payment. In the case of a partial payment, the penalty is recalculated on the amount owed.

To define penalties and interest for late payment.

1. Launch GNA.

2. Select **Application Configurations** > **Business Tax** > **Categories**.

3. Select the required Category in the tree view on the left.

4. Open the **General** tab.

5. Enter the percentage you are charging in the **Late Payment** parameter.

6. Select the A/R Class from the **A/R Class** drop-down list.

   You can use the same A/R Class Code for all penalties or use different Class Codes according the requirements of your organization.

7. Do one of the following:

   • Select **Once** if the penalty is applied once.

     Enter the minimum amount of the penalty in the **Minimum Total** field.

   • Select **Monthly** if the penalty is to be applied monthly.

     Enter the maximum number of months it is to be applied in the **Maximum Months/Days** field.

     Enter the minimum amount of the penalty in the **Minimum Total** field.

   • Select **Daily** if the penalty is to be applied daily.

     Enter the maximum number of days it is to be applied in the **Maximum Months/Days** field.

     Enter the minimum amount of the penalty in the **Minimum Total** field.

8. Click **Save**.

Scenarios for Applying Late Filing and Late Payment Charges

The scenarios in this section illustrate how to set up late filing and late payment charges for Self Reported Tax that address the following business needs.

Scenario 1

This scenario illustrates how to set up the penalty and interest charges for the following:

A return is filed after the due date. A ten dollar penalty is applied to each day up to a maximum of $2,000 dollars for each return.

If the return is more than thirty days late, an additional tax of five percent of the amount due is added each day.

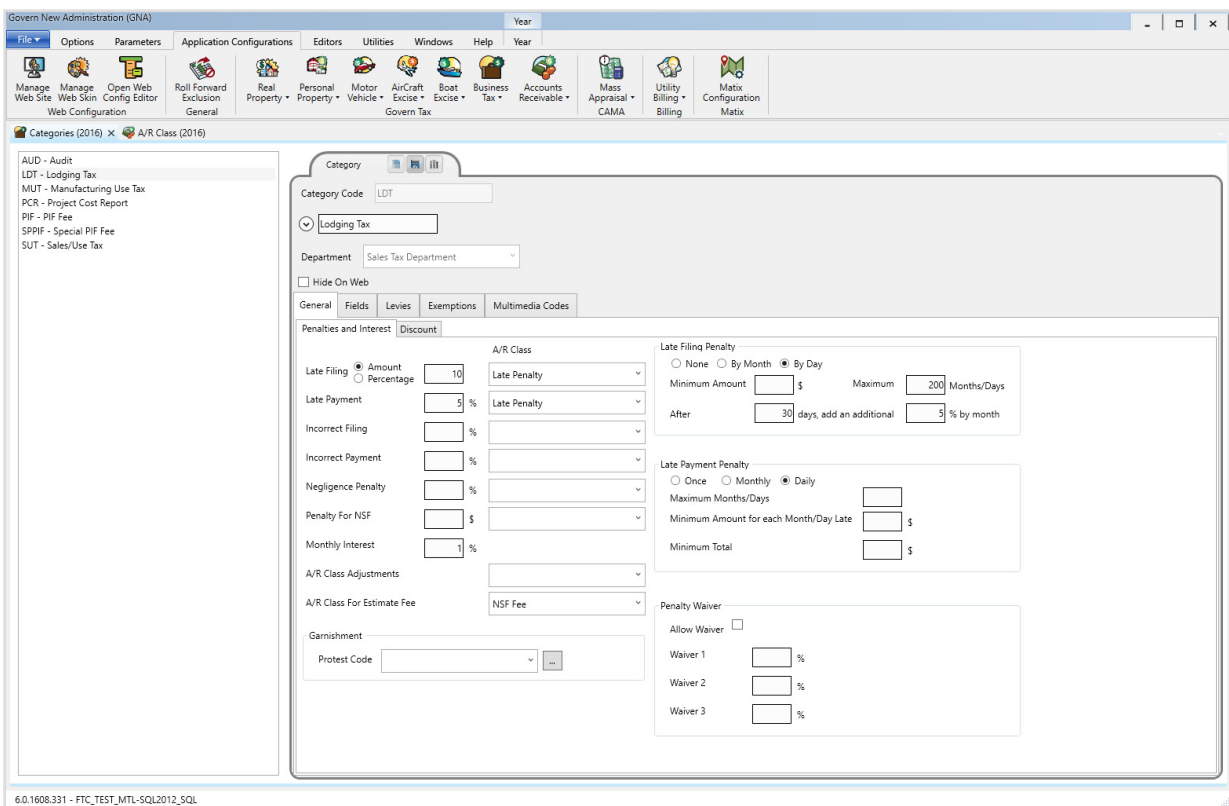The following table illustrates how charges are applied.

File	Pay	Penalty and Interest Charge
File on May 20	Pay on May 20	No penalty or interest charges
File on May 20	Pay on May 21	No penalty or interest charges (Less than 30 days have passed)
File on May 20	Pay on June 21	No daily penalty, but 5% on the amount due for one day (5%)
File on May 22	Pay on May 22	Two day penalty for filing late ($20.00) No 5% penalty for late payment Less than 30 days have passed)
File on June 20	Still unpaid on June 20	30 days Penalty 5% additional on amount due
File on June 20	Pay on June 20	30 days Penalty 5% additional on amount due

File on June 20	Pay partial amount on June 20	30 days Penalty 5% additional on amount due
File on May 20	Still unpaid on July 21	5% penalty on the balance and 5% thereafter until fully paid

To set up this scenario:

1. Launch GNA.

2. Select **Application Configurations** > **Business Tax** > **Categories**.

3. Select **LDT - Lodging Tax** from the tree view on the left.

To set up the Late Filing Penalty:

1. Select **Amount** beside **Late Filing**.

2. Enter **10**.

3. Select the **Late Penalty A/R Class**.

4. Select **By Day**.

5. Enter **200** in the **Maximum Month/Days** parameter.

6. Enter **30** in the **After days parameter**.

7. Enter **5** in the **add an additional % by month** parameter.

To set up the Late Payment Penalty:

1. Enter **5** in the **Late Payment %** parameter.

2. Select the **Late Penalty A/R Class**.

3. Select **Daily**.

4. Click **Save**.

Scenario 2:

In this scenario a five percent penalty is added to a return that is filed after the due date. An additional five percent is added for each additional month to a maximum of 25%.
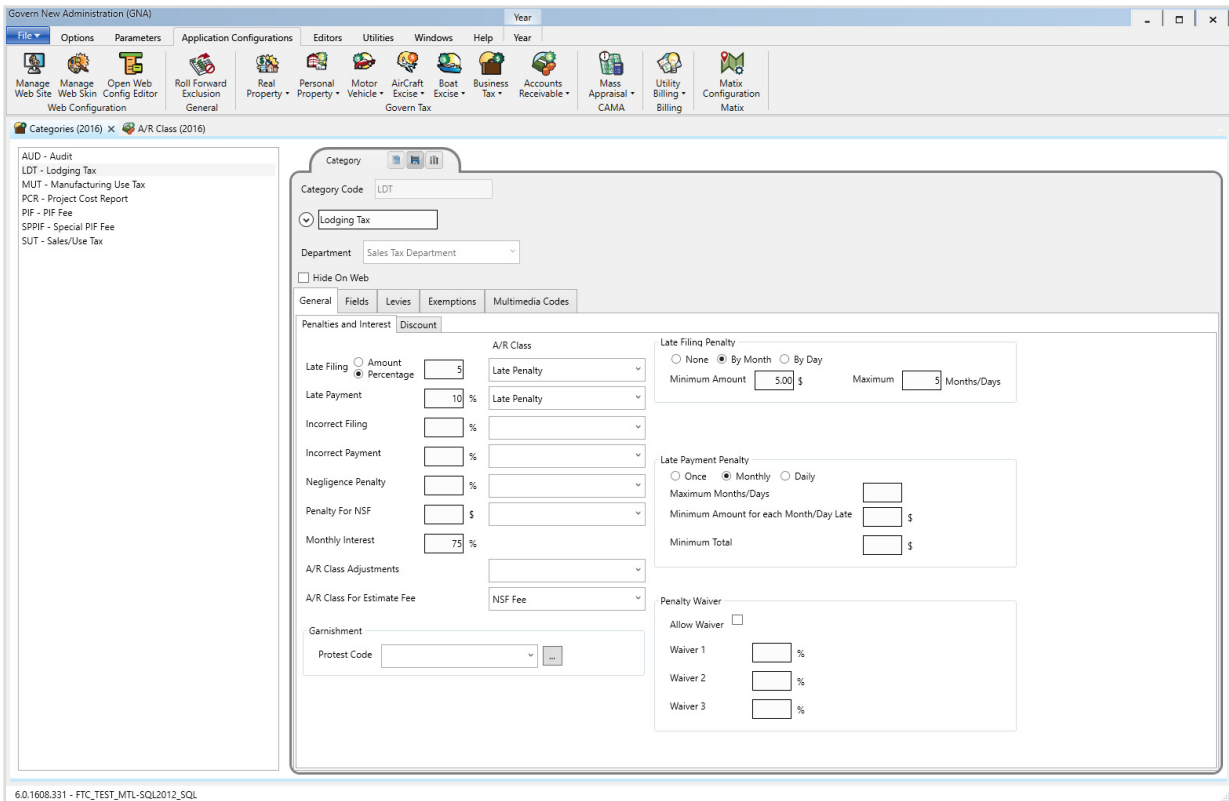
Interest accrues at the rate of 0.75% per month on the principal amount of the tax. This is illustrated in the following table.

File	Pay	Penalty and Interest Charge
March 21	March 21	0.75% of amount due
April 2	April 2	0.75% of amount due
April 21	April 21	0.75 + 0.75 = 1.5%

To set up this scenario:

1. Launch GNA.

2. Select **Application Configurations** > **Business Tax** > **Categories**.

3. Select **LDT - Lodging Tax** from the tree view on the left.

To set up the Late Filing Penalty:

1. Select **Percentage** beside **Late Filing**.

2. Enter **5**.

3. Select the **Late Penalty** from the **A/R Class** drop-down list.

4. Select **By Month**.

5. Enter **5.00** in the **Minimum Amount** parameter.

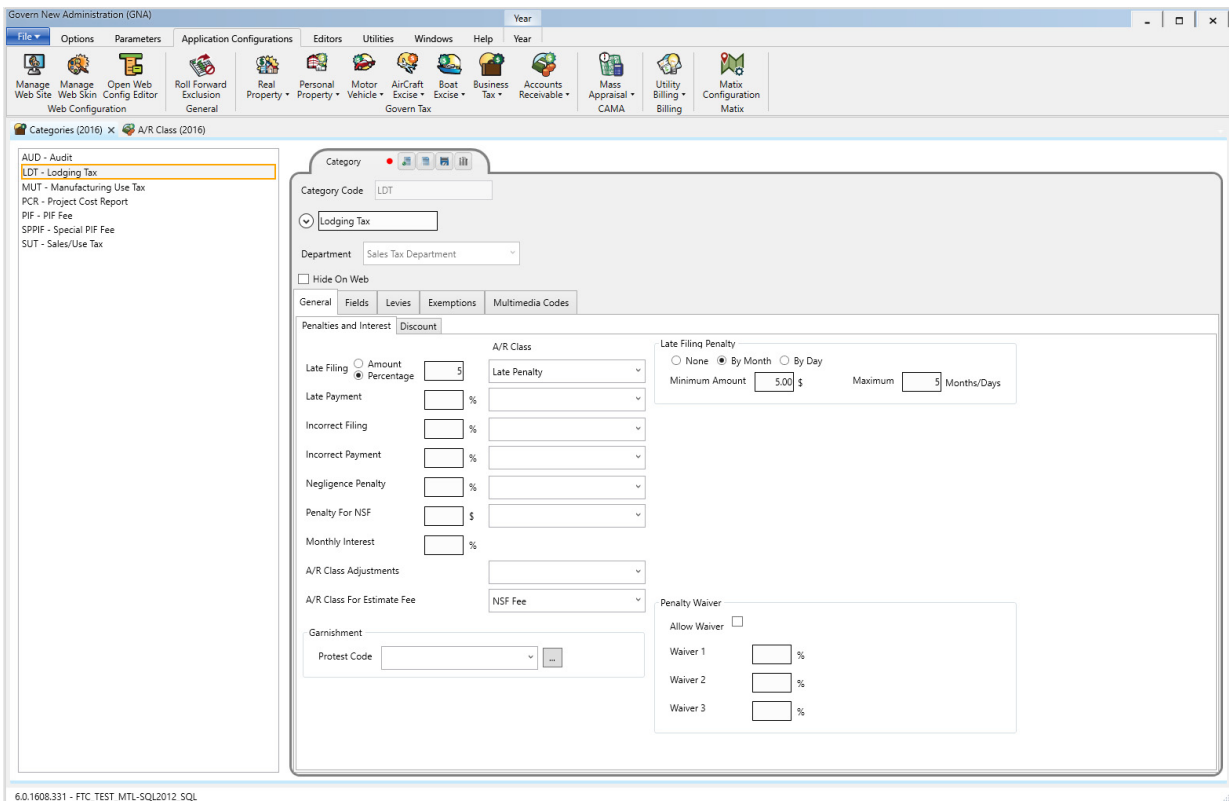6. Enter **5** in the **Maximum Month/Days** parameter.

To set up the Late Payment Penalty:

1. Enter **10** in the **Late Payment %** parameter.

2. Select the **Late Penalty** from the **A/R Class**. drop-down list.

3. Select **Monthly**.

4. Click **Save**.

Scenario 3

In this scenario a five percent penalty is added to a return that is filed after the due date. A minimum of payment of five dollars is required. The penalty cannot exceed 25%. To set up this scenario:

1. Launch GNA.

2. Select **Application Configurations** > **Business Tax** > **Categories**.

3. Select **LDT - Lodging Tax** from the tree view on the left.

4. Select **Percentage** beside **Late Filing**.

5. Enter **5**.

6. Select the **Late Penalty** from the **A/R Class**. drop-down list.

7. Enter **By Month**.

8. Enter **5.00** in the **Minimum Amount** field.

9. Click **Save**.

Applying Waivers

A maximum of three waivers can be applied on each Self Reported Tax account. Although waivers are added on the category form, they are applied to the account. The number of waivers are tracked and updated in the table ST_EVENT_HIST for each Self Reported Tax account ST_ACCT_ID.

If three waivers are created, they are applied on the account as follows:

For the first penalty infraction, even if the business pays multiple late returns at once, they are granted a 100% waiver on all payments.

If the business pays late a second and third time, the second and third waivers are used. These can be applied to a single ST_ID only.

After the third late payment, there are no further waivers, penalties are applied in full.

Defining Waivers

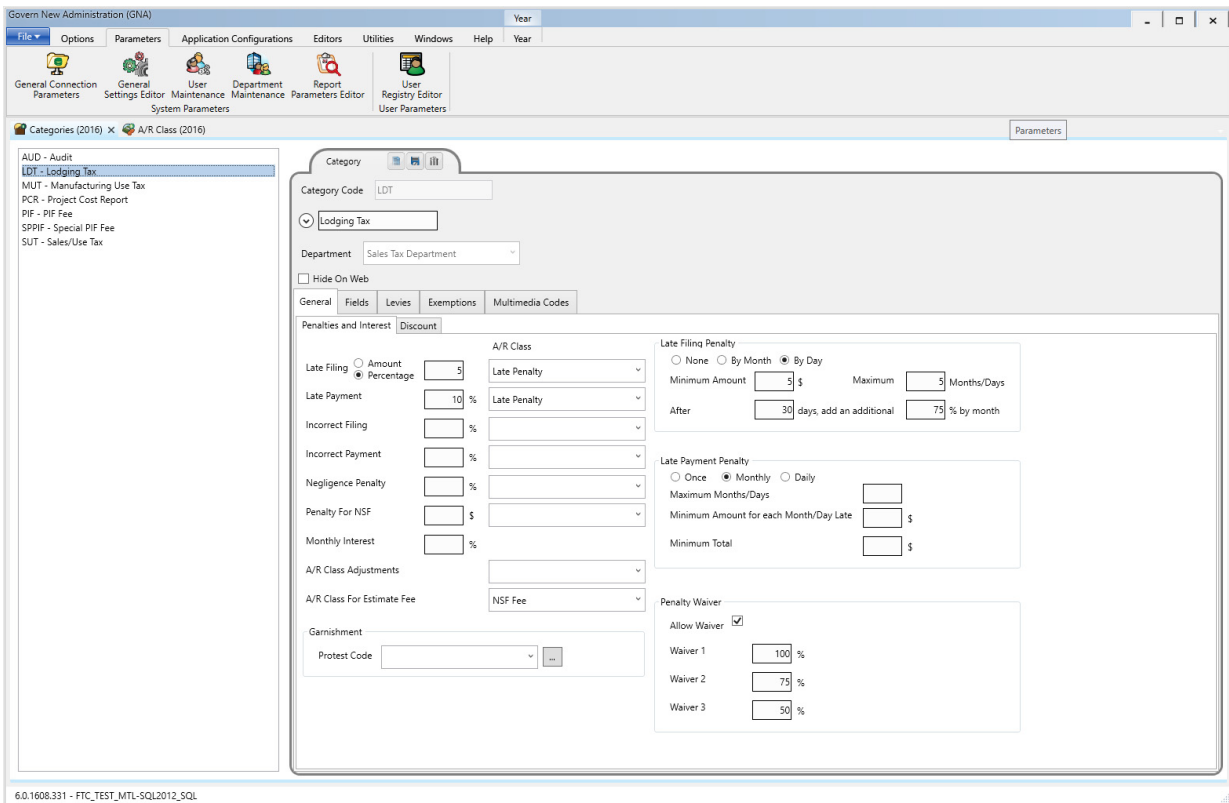Once they are configured, waivers are applied automatically.

You can set up different percentages for each waiver. For example, you could set the first to 100%, the second to 75%, and the third to 50%.

The first waiver can be applied to multiple Self Reported Tax IDs (ST_ID) if they are paid at the same time. The second and third waivers can be applied on single ST_IDs filed under the same ST_Account.

To set up the waiver.

1. Launch GNA.

2. Select **Application Configurations** > **Business Tax** > **Categories**.

3. Select the required Category in the tree view on the left.

4. Open the **General** tab.

5. Select the **Allow Waiver** option.

6. Enter a percentage beside **Waiver 1**.

7. Enter a percentage beside **Waiver 2** if applicable.

8. Enter a percentage beside **Waiver 3** if applicable.

9. Click **Save**.

Business Rules for Applying Waivers

The following example illustrates the business rules:

• Waiver 1 = 100%
• Waiver 2 = 75%
• Waiver 3 = 50%

On the first penalty infraction, the business can file multiple and pay multiple late returns at once. Each one is granted the 100% waiver.

The second time the business files and pays only one late return. They are granted the 75% waiver.

The third time the business files and pays only one late return. They are granted the 50% waiver.

Each waiver updates a column in ST_MASTER.WAIVER with 1, 2 or 3, indicating the number of waivers provided.

Each waiver granted updates ST_EVENT_HIST with a record of the waiver granted.

The following tables are evaluated for each Self Reported Tax account ST_ACCT_ID.

- If Waiver 1, Waiver 2, Waiver 3 are not yet used, apply Waiver 1.
- If Waiver 1 has been used, but Waiver 2, Waiver 3 are not yet used, apply Waiver 2.
- If Waiver 2 has been used, but Waiver 3 is not yet used, apply Waiver3 and update table with WAIVE3

Self Reported Tax filings (ST_ID) are eligible for waivers as follows, when ST_MASTER.WAIVER = 0 or NULL

- Several periods and several categories may be filed with the same effective date. All are eligible for the first 100% waiver.
- Once ST_MASTER.WAIVER >=1, only one ST_ID is considered. The lowest ST_ID created for the same ST_ACCT_ID is used for the effective date ST_FILING_MASTER.EFFECTIVE_DATE.
- To locate multiple ST_ID's for the same ST_ACCT_ID with the same effective date that are eligible for 100% waiver (ST_MASTER.WAIVER = NULL or 0), the AR_BATCH_NO.BATCH_ID is used.

The table ST_EVENT_HIST is updated as follows:

ST_ACCT_ID	ST_ID	Event Type	Event Date
85274	159263	WAIVE1	2/2/2015
85274	236580	WAIVE2	6/20/2015
951357	398745	WAIVE1	10/5/2015
951357	456987	WAIVE2	1/5/2016

ST_ACCT_ID	ST_ID	Event Type	Event Date
123422	569874	WAIVE1	1/20/2016
96752	698740	WAIVE1	2/15/2016
123422	763258	WAIVE2	5/20/2016
951357	896526	WAIVE3	7/5/2016