Quick guide to understand key concepts and approach for implementing Oracle Fusion Tax Assets

With the advent of Oracle Cloud applications and as more and more companies want to explore the option, there is a growing tendency among companies to move away from having business functions in disparate systems, and have them under the same common platform. Hence there will be a growing demand to have tax assets under the same common Oracle Cloud umbrella, rather than having this function in a third-party system as was typically the case earlier.

Executive Summary

As companies start their process of moving to Oracle Cloud, there is a growing need to standardize business processes and functions. While the principal functions of general ledger, payables, receivables or assets, were using Oracle Applications, tax assets was typically done outside of Oracle. As part of homogenizing business functions, companies also want to move the tax assets function under Oracle, instead of having to maintain another application for the same function.

This guide can serve as a quick reference document for implementing tax assets in an Oracle Cloud implementation. It explains key concepts, processes, functionalities related to tax assets, along with implementation and conversion considerations. It can also serve as an important guide to any customer who wants to understand what it would entail to implement Fusion Tax Assets, and thus aid the implementation team in getting their point across to the customer in a more structured manner backed by actual implementation experience.

Process flows: Fusion Tax Assets

The diagram below explains typical process flow for tax assets.

![Diagram](image.png)
Key configuration elements: Fusion Tax Assets

Key setups that make the tax assets’ processes work in Fusion, are listed below. We have to pay attention to these at the minimum while implementing Fusion Tax Assets.

Tax Asset Book

- Corporate Asset Book from which to copy has to be selected.
- Options to copy Additions/Retirements/Cost-Adjustments or all.

Asset Categories

- Categories already defined for Corporate Asset Book should be assigned to Tax Asset Book.
- Assign pre-defined IRS-specified Tax Depreciation Methods and Lives to such categories in Tax Asset Book.
- Tax depreciation methods and lives set up at Asset Categories level default on to the tax assets.

Depreciation Methods

- All of the IRS-mandated depreciation methods and lives are delivered out of Fusion.

Prorate Conventions

- Prorate conventions determine how much depreciation to take in the first and last year of asset life.

Key concepts: Fusion Tax Assets

It is important to understand how Fusion Tax Assets works, before we get into any implementation. These concepts, along with understanding processes and configuration elements, will help give an overall picture of the functioning of the tax assets functionality in Fusion.

Mass-Copy

- Since there is no functionality to create tax assets directly in tax asset book, we always have to copy such assets over from the corporate asset book that the tax asset book is associated to.
- Even if costs between corporate and tax assets are different, incremental cost-adjustments from Corporate can still be copied over.
- Proportionate retirements are always copied over based on tax asset cost compared to corporate asset cost.
- In terms of financial changes to assets, only cost-adjustments are copied over; other financial adjustments like changes to Depreciation Method/Lives are not copied over to the tax assets.
- In case of partial retirements on assets entered directly in tax asset book, no subsequent cost-adjustments and/or retirements are copied over for that particular asset.
- We have to run a process for calculating depreciation for each period for each of the Tax Asset Books, in order to calculate depreciation as well as to close the tax assets period.
- Please note that only when one period closes can the next period open, in Fusion Assets.
- It's recommended to keep the corporate asset periods and tax assets periods in sync.
- We can run depreciation and mass-copy processes for multiple periods at the same time going one period after the other, and this need not be a monthly function as such.
- Separate roles are generated for each of the tax asset book for better segregation of duties.
Points to note for any Fusion Tax Assets implementation

Points noted below are based on experience that we have gained over the years, and from our Fusion Implementation projects. These points would come in handy for any implementation team advising customer the way forward on Fusion Tax Assets.

- Flexibility around the ‘go-live’ timelines: it not mandatory to go live on Fusion Tax Assets at the same time as Corporate Assets.
- Go-live in a piecemeal fashion is also possible – not required to go live with all tax books at the same time.
- Number of tax asset books will be critical consideration in determining how you can go live in a phased manner.
- Deadlines/due dates of filing tax returns under each specific regulation also plays an important role in determining sequence and timelines for ‘go-live’.
- Heavy user involvement during conversion and reconciliation activities.
- Implementing Fusion Tax Assets is optional and you can still continue with the existing legacy system if required.

How to determine scope of Fusion Tax Assets implementation?

Determining implementation scope early on in the project is critical for better planning and change management on any project. Some key determinants that can guide the implementation team gauge the scope are discussed in section below.

- Typically one primary ledger will have 1 corporate asset book associated to it.
- There will have to be 1 tax asset book that maps to 1 unique asset book on the corporate side.
- You have to then determine tax filing/tax depreciation calculation requirements - typically you would come across requirements to calculate tax depreciation under FEDERAL, FEDERAL NON-BONUS, AMT, ACE and/or CALIFORNIA regulations.
- For each of the aforesaid regulations, you would end up having 1 separate tax asset book.
- Number of corporate asset books (that each tax asset book has to be associated to) multiplied by tax depreciation calculation requirements under different regulations, will give you the number of tax asset books up for implementation.
- Asset categories (that are assigned to corporate asset book) will have to be assigned to each of the tax asset books.
- Default depreciation methods and lives would have to be assigned to each asset category associated to each of the tax asset books.
- You would also have to factor in conversion, possible periodic transactional uploads and reconciliation activity for all of tax asset books.

Conversion Steps

Another important factor for implementing Fusion Tax Assets is to lay down the conversion approach for bringing over data from the existing third-party system to Oracle Fusion. Pointers listed below will help the implementation team have valid discussions and recommendations for customer. We have adopted these approaches and successfully implemented them in several of our Cloud implementation projects.

- Ask business to provide listing of tax assets bearing 1:1 relationship to corporate assets - do this for each tax asset book that you have to implement.
- The aforementioned listing would have to include appropriate tax attributes like cost in-service date/depreciation method/life, by asset, as required.
The listing would be as of a certain date – if you plan to go live with tax assets at the same time as corporate assets, then the listing would probably be as of the go-live date.

Initial mass copy from corporate asset book into respective tax asset book would be for the date from step above – please note as mentioned earlier, you cannot create tax assets directly in tax asset book and they have to be mandatorily copied over from corporate asset book.

Overwrite corporate cost/in-service dates with tax cost/in-service dates/depreciation methods-lives.

Reconciliation of initial converted data.

If the go-live period for tax assets is later than corporate assets, then you would also have to do periodic mass copy and probable transactional uploads every period, till the period of ‘go-live’.

Conclusion

While tax assets functionality is implemented out of the Fusion Assets application, implementing it can serve as a separate project by itself given the scope. The important factors and considerations discussed in sections above will definitely help any implementation team gain better understanding of the functionality and have more valid discussions with and recommendations for the customer. It will also help them plan better and ask more pointed and relevant questions to the customer.

About the Author

Parag Mehta is a Senior Manager in Cognizant’s Oracle Cloud Practice. He has been with Cognizant for 5 years now and has overall consulting experience in Oracle of more than 10 years. While Parag has experience in working on Oracle EBS applications, his area of expertise now lies in working on Oracle Cloud applications. He has been part of one very successfully financials implementation of Oracle Fusion/Cloud applications and is currently working on another such implementation project.

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