

How to manage cash basis taxes?

The cash basis taxes are due when the payment has been done and not at the validation of the invoice (as it is the case with standard taxes). Reporting your income and expenses to the administration based on the cash basis method is legal in some countries and under some conditions.

Example : You sell a product in the 1st quarter of your fiscal year and receive the payment the 2nd quarter of your fiscal year. Based on the cash basis method, the tax you have to pay to the administration is due for the 2nd quarter.

How to configure cash basis taxes ?

You first have to activate the setting in Accounting > Configuration > Settings > Allow Tax Cash Basis. You will be asked to define the Tax Cash Basis Journal.

Allow Tax Cash Basis

Tax Cash Basis Journal Cash Basis (USD)



Once this is done, you can configure your taxes in Accounting > Configuration > Taxes. You can open a tax and in the *Advanced Options* tab you will see the checkbox *Use Cash Basis*. You will then have to define the *Tax Received Account*.

Tax Name	Tax 15.00% (Cash Basis)	Tax Scope	Sales
DEFINITION		ADVANCED OPTIONS	
Label on Invoices	15.00%	Included in Price	<input type="checkbox"/>
Tax Group	Taxes	Affect Base of Subsequent Taxes	<input type="checkbox"/>
Tags		Tax adjustment	<input type="checkbox"/>
Include in Analytic Cost	<input type="checkbox"/>	Use Cash Basis	<input checked="" type="checkbox"/>
		Tax Received Account	111200 Tax Received

What is the impact of cash basis taxes in my accounting ?

Let's take an example. You make a sale of \$100 with a 15% cash basis tax. When you validate the customer invoice, the following entry is created in your accounting:

Customer Invoices Journal	
Debit	Credit
Receivables \$115	
	Tax Account \$15
	Income Account \$100

A few days later, you receive the payment:

Bank Journal	
Debit	Credit
Bank \$115	
	Receivables \$115

When you reconcile the invoice and the payment, this entry is generated:

Tax Cash Basis Journal	
Debit	Credit
Tax Account \$15	
	Tax Received Account \$15
Income Account \$100	
	Income Account \$100

Tip: The two journal items created in the Income Account are neutral but they are needed to insure correct tax reports in Odoo.