

Microsoft Dynamics® AX 2009

# Features for Israel

White Paper

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# Table of Contents

<b>Introduction</b> .....	<b>4</b>
<b>Enabling the Israel-specific features</b> .....	<b>4</b>
<b>Validations</b> .....	<b>4</b>
Company information .....	5
Employees .....	5
Customers .....	5
Vendors.....	6
Bank accounts.....	6
Validating company, customer, and vendor data .....	6
Set up and validate bank accounts.....	6
<b>VAT file</b> .....	<b>8</b>
Setting up the VAT file feature.....	8
Define a sales tax authority.....	8
Define a sales tax settlement period.....	9
Create VAT codes and assign them to the appropriate tax groups .....	9
Register bills of entry .....	9
Creating the control reports .....	10
VAT report .....	10
VAT analysis report .....	11
VAT analysis by ledger account.....	11
Creating the VAT file and report.....	12
Create the VAT file and report .....	12
Regenerate the VAT file and report .....	13
<b>Report 6111</b> .....	<b>14</b>
Setting up Report 6111 .....	14
Create a dimension focus and row definition.....	14
Assign ledger accounts to classification codes.....	14
Set up the 6111 financial statement.....	15
Generate the Report 6111 .....	15
<b>Invoices</b> .....	<b>16</b>
Set up invoices .....	16
Print invoices.....	16
<b>MASAV electronic clearinghouse</b> .....	<b>18</b>
Setting up the MASAV file function .....	18
Creating the MASAV payment file.....	19
<b>Receipts</b> .....	<b>21</b>
Setting up receipts.....	21
Set the numbering sequence .....	21
Change the number sequence in Accounts receivable .....	22
Change the number sequence in Accounts payable .....	22
Set the Israeli check method of payment in Accounts receivable.....	22

Set the Israeli check method of payment in Accounts payable .....	22
Receiving payments from customers and vendors .....	22
Receive a payment from a customer .....	22
Reprint a receipt.....	23
Receive an Israeli check payment type .....	23
Receive a payment returned by a vendor.....	24
Reprint a receipt.....	24
<b>Open format.....</b>	<b>25</b>
Generate open format files.....	25
<b>Withholding Taxes .....</b>	<b>28</b>
Setting up a tax withholding group.....	28
Define a tax withholding group .....	29
Set up a tax withholding group .....	29
Set up vendor tax withholding information for the first time .....	29
Update tax withholding information for a vendor .....	30
Using the Withholding tax feature .....	31
Withhold tax from payment to vendor .....	31
Using withholding reports .....	31
Withholding tax 856 report/file .....	32
Print the Withholding tax 857 report .....	32
<b>Automatic bank reconciliation.....</b>	<b>33</b>
Setting up the automatic bank reconciliation feature .....	33
Set up the automatic bank reconciliation .....	33
Set up the bank statement file format .....	33
Using the automatic bank reconciliation feature .....	34
Import the bank statement file .....	34
Match the bank statement with the Microsoft Dynamics AX records.....	34
Address unmatched transactions and other reconciliation issues .....	35
Finalize the reconciliation.....	36
<b>Fixed assets reports.....</b>	<b>37</b>
Setting up the fixed asset feature .....	37
Using the fixed assets feature.....	37
Generate the Israeli fixed assets reports.....	37
Print the Nominal depreciation form .....	38
Print the Tax depreciation form .....	39
Print the fixed asset depreciation by book report .....	40
Print the Nominal capital profit/loss report .....	42
Use depreciation books to offset capital profits .....	42
To offset capital profits:.....	43
Document asset replacement details .....	43

## Introduction

This information provides an overview of features in Microsoft® Dynamics AX that are specific to users in Israel. It includes a description of each feature, information about the forms that are affected by each feature, and procedural information to help you use the feature. The features are available only if the configuration key for Israel is selected.

The following are the Israel-specific features:

- [Validations](#)
- [VAT file](#)
- [Report 6111](#)
- [Invoice](#)
- [Clearing](#)
- [Receipts](#)
- [Open format](#)
- [Withholding taxes](#)
- [Automatic bank reconciliation](#)
- [Fixed assets report](#)

## Enabling the Israel-specific features

1. Click **Administration > Setup > System > Configuration** and select **Israel** and **Iceland** from the **Country/Regional specific features** field. This setting enables you to view the Israel-specific forms and fields in Microsoft Dynamics AX, but does not enable their operation.

**Note:** Israel's country code, according to the value in the **ISO** column of the **Country/region** table, is **IL**.

2. Click **Basic > Company data** and select the **Enable Israel** check box.

All Israel-specific features are now visible and enabled.

To add a new record for Israel to Microsoft Dynamics AX:

Click **Basic > Setup > Addresses > Country/region** and add the ISO code **IL**.

**Note:** If your business trades with the Palestinian Authority, add also the ISO code **PL**.

## Validations

You can run validation checks on data entered in various fields to verify that they comply with Israeli accounting requirements. The following data are validated:

- Israeli identity card (ID) number
- Organization number (in the **Organization number** field)
- VAT registration number (new field)
- Deduction file ID (new field)
- Bank account number (data in existing **Bank** fields)

The validations prevent data entry errors in these fields, which may lead to mistakes in bank transaction and VAT reports.

The validation checks are run on the following areas:

- [Company information](#)
- [Employees](#)
- [Customers](#)
- [Vendors](#)
- [Bank accounts](#)

## Company information

Two new fields have been added to the company information table: **VAT registration number** and **Deduction file ID**. The fields are accessible through the **Company information** form, which can be reached with **Basic > Setup > Company Information > General** tab.

Data entry into the existing field, **Organization number**, is also being validated.

Refer to the following information about the fields you will use with this feature:

Field	Description
VAT registration number	Accepts an ID number provided to companies by the Israeli Tax Authority, which identifies the company for the purposes of tax reporting. The number is printed on most external documents, such as invoices, receipts, or packing slips, and must appear in every report to the tax authorities.  For most companies, the VAT registration number is the same as the organization number. Companies that have several subsidiaries have a different organization number for each subsidiary, but the same VAT registration number.
Deduction file ID	Accepts an ID number that is also provided by the Israeli Tax Authority. The ID is used for the withholding function. The number is printed on payment receipts. For more information, refer to the <a href="#">Receipts</a> section described in this document.

When the **Country/region** field in the default address is blank or contains the ISO code **IL** (for Israel), and the **Enable Israel** check box is selected, all three fields must have values. When you save the record, the three fields are validated by corresponding algorithms. If you made a mistake when entering the **Organization number**, **VAT registration number**, or **Deduction file ID** you cannot save the record and an error message is displayed.

**Note:** For validation purposes, country **Israel** is determined using the ISO code rather than the country/region code or country/region name.

## Employees

When you enter a new employee record or modify an existing one in the **Employee** form (**Basic > Employees** for the employee view, then double-clicking a record to obtain the **Employee** form), the **National ID number** field is validated when you save the record. If you make a mistake when entering an Israeli identity card number, you cannot save the record and an error message is displayed.

## Customers

When you enter a new customer record in the **Customer** form (**Account receivable > Customer**), the system distinguishes between two types of customers, person and organization, based on the value in the **Address book type** field:

If the **Address book type** of the customer record is **Person** and the related **Country/region** field on the **Address** tab contains the ISO code **IL**, the value in the **National ID number** field must contain a

value, which is validated when you save the record. If you make a mistake when entering an Israeli identity card number, you cannot save the record and an error message is displayed.

If the **Address book type** of the customer record is **Organization** and the related **Country/region** field on the **Address** tab contains the ISO code **IL**, three fields must contain valid entries: **Organization number**, **VAT registration number**, and **Deduction file ID**, which are validated by corresponding algorithms. If you made a mistake when entering the information in those fields, you cannot save the record and an error message is displayed.

## Vendors

When you enter a new vendor record or modify an existing one in the **Vendor** form (**Account payable > Vendor**) and the related **Country/region** field on the **Address** tab contains the ISO code **IL**, three fields must contain valid entries: **Organization number**, **VAT registration number**, and **Deduction file ID**. When you save the record, the three fields are validated by corresponding algorithms. If you made a mistake when entering the **Organization number**, **VAT registration number**, or **Deduction file ID** you cannot save the record and an error message is displayed.

## Bank accounts

You can maintain bank accounts in Microsoft Dynamics AX for your company and optionally for your customers and vendors. To avoid errors in electronic transactions, each bank account is validated, including bank code, branch code, and account number, to ensure that the information has been entered correctly.

The Israeli-specific features applicable to bank accounts include storing codes for the major Israeli banks, validating routing numbers (combinations of bank and branch codes), and validating account numbers, based on the account number format used by each bank.

## Validating company, customer, and vendor data

Company, customer, and vendor data are entered in standard Microsoft Dynamics AX forms, as described in the Applications and Business Processes Help. Whenever the country associated with the data you entered is Israel (or if it is left empty, in which case it is assumed to be Israel), the validations are run automatically. The only time you become aware of the validation process is when an error message is displayed.

**Note:** If you are entering a foreign (non-Israeli) entity, for example an international vendor or customer, be sure to specify its country to prevent an irrelevant validation that is likely to fail.

## Set up and validate bank accounts

1. If the code of the bank for which you are setting up the account is not already in the system, click **Bank > Setup > Bank codes** to open the **Bank codes** form. For example, to set up an account at Bank Hapoalim, enter the code **12** and the description **Bank Hapoalim**.
2. Click **Bank > Setup > Bank groups** to access the **Bank groups** table that stores the bank routing numbers of the company and of all the customers and vendors for whom you maintain bank account information.
3. In the **Routing number** field, enter a routing number for the new bank account using the format **XX-YYY**, where **XX** is the bank code and **YYY** the branch code.
4. To validate the routing number, select **Israeli** in the **Validate bank account** field. When you save the new bank group, the system checks that the first two digits are present in the table of Israeli bank codes, that the third character is a hyphen, and that the code ends in three additional digits.
5. Click **Bank > Bank accounts**. Press CTRL+N or click **New record** to create a new account.

6. In the **Bank groups** field, select the routing number for the new account. This is the group that you defined earlier in the **Bank groups** table. The **Routing number** and **Validate bank account** fields are imported from the group.
7. Click the **General** tab and enter a name for the account in the **Bank account** field.
8. Enter the account number in the **Bank account number** field.
9. Press **CTRL+S** or close the form to save the settings. The bank account number that you entered is validated by verifying that it conforms to the format of the specified bank. If the account number does not comply with bank standards, you cannot save the record and an error message is displayed.

**Note:** The validation algorithm is activated whenever you save Israeli bank accounts using the following navigation paths:

**Bank > Places > Bank accounts**

**Account receivable > Customer > Setup > Bank accounts**

**Account payable > Vendor > Setup > Bank accounts**

## VAT file

The VAT file contains a list of VAT transactions that must be submitted to the Israeli VAT authority in the form of the periodic VAT report. The VAT file is produced the same way as the other VAT files created with Microsoft Dynamics AX, but the format is specific to Israel. If the VAT amount that you paid on purchases and expenses exceeds the amount that you collected on sales for the reporting period, you are entitled to a refund of the difference between the two amounts. You must submit this file to the VAT Authority in order to receive the refund.

**Note:** The sales tax process within Microsoft Dynamics AX is used to implement VAT for Israeli users. Because there is no sales tax in Israel, this process is used only for VAT calculations in Israel. To learn more about the sales tax process in Microsoft Dynamics AX refer to *Introduction to Financials in Microsoft Dynamics AX 2009* at <http://www.microsoft.com/dynamics/partners/default.mspx>.

You can also create the following control reports that accounting managers can use to control and balance their tax-related books before submitting the monthly report to the VAT Authority:

- VAT report – Aggregates all the relevant amounts for the reporting period
- VAT analysis report – Validates the amounts in the VAT report against the invoices issued in the same period
- VAT analysis by ledger account – Helps investigate mismatches revealed by the VAT analysis report.

For consistency and clear registration, use a VAT code for every transaction, even if it is exempt from VAT. For example, for transactions taking place in VAT-free zones, use a VAT code of the type **Exempt** (value=0).

**Note:** When you select the **Enable Israel** check box in the **Company information** form, it is mandatory to select a **Sales tax group** and **Item tax group** for all accounts receivable invoices, including free text and sales order invoices.

Refer to the following sections for more information:

- [Setting up the VAT file feature](#)
- [Creating the control reports](#)
- [Creating the VAT report](#)

## Setting up the VAT file feature

Use the following procedures to set up the VAT file feature:

- [Define a sales tax authority](#)
- [Define a sales tax settlement period](#)
- [Create VAT codes and assign them to the appropriate tax group](#)
- [Register bills of entry](#)

### Define a sales tax authority

To report VAT transactions to the Israeli VAT Authority, you must specify the tax authority for which the report is generated. The Israeli file format is associated with this authority.

1. Create the Israeli VAT authority. Click **General ledger** > **Setup** > **Sales tax** > **Sales tax authorities** to open the **Sales tax authorities** form.
2. Enter the required information. Select **Israeli report layout** in the **Report layout** field.



## Define a sales tax settlement period

VAT reports apply to a specified tax settlement period.

**Note:** In Israel, periods are calendar months.

1. Create a new settlement period in the **Sales tax settlement period** form and assign it to the VAT authority that you just created in **General ledger > Setup > Sales tax > Sales tax settlement periods**. Select the newly created VAT authority in the **Authority** field to connect the settlement period with the tax authority.
2. Click the **Periods** tab to provide from and to dates for settlement periods. VAT reports generated in the future will be for the periods specified on this tab.

## Create VAT codes and assign them to the appropriate tax groups

Each accounts payable transaction should have an appropriate VAT code assigned to it. Therefore, you must define the following VAT codes.

- Regular VAT
- VAT for fixed assets
- VAT for bill of entry

The Israel-specific VAT feature uses the sales tax functionality of Microsoft Dynamics AX to implement the VAT functionality.

1. Define a VAT code in **General ledger > Setup > Sales Tax > Sales tax codes**. To associate each code with the appropriate settlement period, select it in the **Settlement period** field in the **Sales tax settlement period** form.
2. Click the **Report setup** tab and select a VAT code in the **VAT code type** field. Applicable options are **Regular**, **Fixed assets**, and **Bill of entry**.

**Note:** Depending on the release, this list may contain more values. These values are for future use only, with the new file format "PCN874", which will be used for reporting VAT for the tax year 2010. These values should not be used before calendar year 2010. For any VAT code **Fixed asset** or **Bill of entry** use **Regular**, which is the default value.

3. Create the required tax codes and assign each tax (VAT) code to the appropriate tax group in the **Sales tax groups** form (**General ledger > Setup > Sales Tax > Sales tax group**).

**Note:** You can assign the same VAT code type to more than one VAT code. In the VAT file, purchase invoices will be grouped according to VAT code type, as required by the Israeli tax authorities. For example, you can assign VAT codes for structures, vehicles, and equipment to the same **Fixed assets** VAT type, and all related invoices will be listed under fixed assets in the VAT file.

## Register bills of entry

We recommend that you use the **Accounts payable invoice journal** to register bills of entry.

1. Click **Accounts Payable > Journals > Invoices > Invoice Journal**.
2. Create a new journal and click the **Lines** button.
3. Select a vendor account that represents either the VAT Authority or a customs agent, enter the bill of entry reference number in the **Invoice** field, and complete the required details.

**Note:** Enter the bill of entry number in the **Invoice** field without the **R** prefix. The **R** is concatenated automatically when VAT file is generated.

4. Enter the total amount as it appears in the bill of entry.
5. Select the **Bill of entry** VAT code.

- Click the **Post** button to post the invoice/bill of entry.

## Creating the control reports

Before generating the VAT file or report, verify that all VAT-related information, such as sales and purchase transactions, are accurate and that the tax amounts have been registered accurately. The following reports can help you accomplish this:

- [VAT report](#) at **General Ledger > Reports > External > Israel > Annual VAT report**, or **General Ledger > Reports > External > Sales tax payments > Israeli VAT report button**
- [VAT analysis report](#) at **General Ledger -> Reports > Sales Tax > Israel > VAT analysis report**
- [VAT analysis by ledger account](#) at **General Ledger > Reports > Sales Tax > Israel > VAT analysis by ledger account**

### VAT report

You can use the VAT report to compare the amounts for the current settlement period with the cumulative amounts to date to verify that no transactions have been mistakenly reported to the VAT Authority for the wrong period.

The VAT report aggregates the following figures for the reporting period:

- Sales amounts
- VAT amounts on sales
- VAT amounts on asset purchases
- VAT amounts on other purchases
- Amounts payable to or receivable from the VAT Authority

The fields in the **VAT report** form are listed below.

Field	Description/Comments
Settlement period	The code for the settlement period for which you are generating the report.
From date	The first day of the selected settlement period.
To date	The last day of the selected settlement period.

The following information is displayed on the **VAT report**.

Name	Description/Comments
Reporting period	The period covered by the report.
VAT exempt sales	The total sales transactions with VAT amount = 0.
Sales with VAT	The total sales transactions with VAT amount other than 0.
VAT on sales	The total amount of VAT on sales during the settlement period.
VAT on fixed asset purchases	The total amount of VAT paid on fixed asset purchases during the settlement period.
VAT on other purchases	The total amount of VAT paid on other purchases during the settlement period.

Name	Description/Comments
Payable/Receivable amount	The amount that the company owes to the VAT Authority or is owed by the VAT Authority, calculated as the difference between the total amount of VAT on sales and the total amount of VAT paid on all purchases during the settlement period.

### VAT analysis report

Use the VAT analysis report to validate the amounts in the VAT report against the invoices issued in the same settlement period. The report shows the differences in sales amounts between the summary of invoice amounts issued during the settlement period and the sales record in the general ledger. If you find any discrepancies, you can use the VAT analysis by ledger account report to investigate them.

The fields in the **VAT analysis report** form are listed below.

Field	Description/Comments
Settlement period	The code for the settlement period for which you are generating the report.
From date	The first day of the selected settlement period.
To date	The last day of the selected settlement period.

The following information is displayed in the **VAT analysis report**.

Name	Description/Comments
Reporting period	The period covered by the report.
Sales balance (General ledger)	The total amount in the general ledger of the selected accounts.
Sales balance (Invoices)	The total invoice amounts.
Sales difference	The difference between the sales balance (general ledger) and the sales balance (invoices).
VAT exempt sales	The total sales transactions with VAT amount = 0.
VAT on sales (Invoices)	The total sales transactions with VAT amount other than 0 that appear on the invoices.
VAT on sales (General ledger)	The total sales transactions with VAT amount that appears in the general ledger.
VAT difference	The difference between the total VAT on sales that appear on the invoices and the total VAT amount that appears in the general ledger.

### VAT analysis by ledger account

Use the VAT analysis by ledger account report to view discrepancies revealed by the VAT analysis report. The report shows all the sales transactions posted in the various ledger accounts.

The fields in the **VAT analysis by ledger account** form are listed below.

Field	Description/Comments
Settlement period	The code of the settlement period for which you are generating the report.
From date	The first day of the selected settlement period.
To date	The last day of the selected settlement period.
Ledger account	The filter expression used to select the ledger account(s).
Voucher	Display-only field, not applicable for this procedure.

Field	Description/Comments
Select	Select ledger accounts from the general ledger.

The following information is displayed in the **VAT analysis by ledger account report**, separately for sales with and without VAT.

Name	Description/Comments
Ledger account	Selected ledger accounts.
Ledger description	The description of each selected ledger account.
Total amount	The total amount of sales for the selected ledger account during the settlement period, separated by sales with and without VAT.

## Creating the VAT file and report

Refer to the following sections:

- [Create the VAT file and report](#)
- [Regenerate the VAT file and report](#)

### Create the VAT file and report

1. Click **General Ledger > Periodic > Sales tax payment > Sales tax payment**.
2. Select the code for the appropriate period in the **Settlement period** field to specify a report in the Israeli format.
3. Select the first day of the settlement period in the **From date** field.
 

**Note:** The date in the **From date** field should be within the range of one of the settlement periods entered on the **Periods** tab of the **Sales tax settlement periods** form.
4. In the **Transaction date** field, enter the date for which the tax is being paid. The default value is the system date, but you can change it. For example, if you enter the ending date of the settlement period as the transaction date, the tax calculation will be based on all the transactions posted during the settlement period.
5. Select the **Update** check box to add the payment transaction to the **Sales tax payments** table in addition to printing or generating the file. Otherwise, clear the check box.
 

**Note:** Select the **Update** check box only after you have created and printed a draft and verified that you are satisfied with the results.
6. Click **OK**.
7. When the **Print** form opens, select an output mode in the **Print medium** field. Printing to any medium other than **File** creates a summary report. If you chose to print to a file, both the summary record and the invoice details, as required by the Israeli tax authority, are included.
8. If you selected to print to a file, click the **Options** button to modify the default file location.
9. Click **OK**.
 

**Note:** According to the requirements of the Israeli tax authorities, the file is created in ASCII format and its default name is **PC83587.txt**. If you enter a different name, an error message is displayed after you click **OK**, and the VAT file is not generated at the specified location.

## Regenerate the VAT file and report

1. If you selected the **Update** check box in the **Sales tax payment** form, a tax payment transaction is recorded and the file and report can be regenerated from the same form. To do so, click **General ledger > Reports > External > Sales tax payments**

2. Select a record and click the **Israeli VAT report** button to reprint the VAT report.

**Note:** The report that you generate is not created from saved data. Only the parameters and the user data are saved. If you regenerate the report after adding new transactions, you may generate a report with different information for the same period.

3. When the **Print** form opens, select an output mode in the **Print medium** field. Printing to any medium other than **File** creates a summary report. If you chose to print to a file, both the summary record and the invoice details, as required by the Israeli tax authority, are included.

4. If you selected to print to a file, click the **Options** button to modify the default file location.

5. Click **OK**.

**Note:** According to the requirements of the Israeli tax authorities, the file is created in ASCII format and its default name is **PC83587.txt**. If you enter a different name, an error message is displayed after you click **OK**, and the VAT file is not generated at the specified location.

## Report 6111

According to Israeli regulatory rules, companies are required to submit Report 6111 to the tax authorities with their financial reports. Report 6111 contains three main parts:

- Profit and loss report, containing the results of the tax year
- Tax adjustment report, describing the various adjustments necessary to comply with the regulations of the Israeli Tax Authority
- Balance report, describing the company's assets and financial obligations for the tax year

The Report 6111 feature enables you to print the report directly from Microsoft Dynamics AX in the format that complies with the requirements of the tax authorities, so that it can be submitted directly.

Refer to the following sections for more information:

- [Setting up the Report 6111](#)
- [Generating the Report 6111](#)

### Setting up Report 6111

To generate the 6111 financial statement, you must assign the various ledger accounts defined in Microsoft Dynamics AX to the corresponding groups, as required by the format of the Report 6111.

This section contains the following information about setting up the 6111 function:

- [Create a dimension focus and row definition](#)
- [Assign ledger accounts to classification codes](#)
- [Set up the 6111 financial statement](#)

#### Create a dimension focus and row definition

Perform this procedure during initial setup of Microsoft Dynamics AX to create the structure required for Report 6111.

1. Click <http://go.microsoft.com/fwlink/?LinkId=166495> to download the **Rep6111Structure** file. Save the file.
2. Create a new dimension focus with a description of **Report 6111**. Click **General ledger > Setup > Financial statement > Dimension focuses** and add a new record.
3. Click the **Dimension** tab and move the **Ledger account** dimension to the **Selected dimensions** list.
4. Create a new row definition. Click **General ledger > Setup > Financial statement > Row definition** and add a new record. Enter **6111** in the **Name** field, and select the focus you have defined in step 2 above in the **Focus** field.
5. Click the **Template** button and select **Import from a file** to import the account classification codes for **Report 6111**. Specify the file that you have downloaded in step 1 above.

#### Assign ledger accounts to classification codes

You can associate a ledger account with the classification to which it belongs in the 6111 report. Follow this procedure whenever a ledger account is added, removed, or closed in the general ledger.

1. Click **General ledger > Setup > Financial statement > Row definition**, and click the **Structure designer** button.

- To link the ledger accounts with the appropriate account classification codes, drag the required account(s) from the **Accounts** pane to the appropriate classification codes in the **Designer** pane. Repeat until all the required ledger accounts are mapped.

**Note:** Do *not* change the structure of the classifications tree because it may affect the proper operation of the Report 6111 feature. If you modified the structure, you may have to import the structure file again and redo the assignment of ledger accounts to classification codes.

### Set up the 6111 financial statement

You can add ledger accounts to the required file structure. You will not need to make changes to this structure unless you add or close accounts that are relevant for **Report 6111**.

- Click **General ledger > Setup > Financial statement > Financial statement** to open the **Financial statement** form.
- Create a new record named **Report 6111**.
- Click the **Setup** tab and select **Report 6111** in the **Main focus** field.
- In the **Row definition for main focus** field, select the row definition that you have created in the previous step (**Report 6111**).
- Define three new columns for the selected row, using the following settings.

Column	Name	Column type	Additional properties
1	Account name	Main focus definition name	Default properties
2	Account code	Main focus code	Default properties
3	Current year	Current	<b>Posting layer</b> = Current <b>Include opening</b> = not selected <b>Include normal</b> = selected <b>Include closing</b> = not selected

**Note:** Be sure the order of the columns is the same as in the table.

- Press **CTRL+S** or close the form to save the settings.

### Generate the Report 6111

- Click **General ledger > Reports > Transactions > Periodic > Israel > Report 6111**.
- Select **Report 6111** in the **Financial statement** field. (This is the financial statement you set up above.)
- Specify the date range by selecting starting and end dates in the **From date** and **To date** fields. Be sure that the period is within the same fiscal year.
- Optionally, click the **Select** button to select the account types to be included in the report. By default, the following general ledger accounts are included: Balance, Profit and loss, and Total.
- Click **OK** to generate the report.

**Note:** The report is printed according to the required layout and format. It is not intended to be used with preprinted forms.

## Invoices

According to Israeli regulatory requirements, you can print only one original version of an invoice or credit note, and each invoice or credit note must indicate whether it is an original or a copy. The first printing of an invoice or credit note (except for *pro forma* documents), is always an original. On all subsequent printings of the invoice or credit note, a copy indication appears.

A limitation was added to the invoice date field, preventing the user from predating the invoice by more than 14 days.

The following new fields have been added to the invoice and credit note to conform to Israeli requirements:

- **Tax Invoice** label
- **Organization number** (taken from the **Company information** form)
- **VAT registration number** (taken from the **Company information** form)
- **Original/copy indication**
- **Signature** (placeholder)

**Note:** Sales tax labels have been changed to **VAT**.

The following new fields have been added to packing slips to conform to Israeli requirements:

- **Organization number** (taken from the **Company information** form)
- **VAT registration number** (taken from the **Company information** form)
- **Signature** (placeholder)

Refer to the following sections for more information:

- [Set up invoices](#)
- [Print invoices](#)

## Set up invoices

All the documents are generated using the standard Microsoft Dynamics AX functionality. For the added and modified, Israel-specific fields, to take effect, you must make sure that **Israel** is selected in the **Country** field under **Administration > Setup > System > Configuration**, and that the **Enable Israel** box is selected on **Basic > Setup > Company information** form, as described in the [Introduction](#).

**Note:** After Israel is selected as the country and **Enable Israel** is activated, several other changes related to invoices take effect:

- In the **Account receivable parameters** form, under **Accounts Receivable > Setup > Parameters > Updates** tab, the **Reprint original** option is not available
- Under Accounts payable, the printing of vendor invoices is not available

## Print invoices

All the documents are posted and printed using the standard Microsoft Dynamics AX functionality.

When posting an invoice, the system date is used as the default invoice date. You can change the date manually, but if you select a date that is more than 14 days in the past, posting is blocked and an error message is displayed.

To print an invoice as an original, select the **Print** check box in the **Posting invoice** form.



You can also print invoices from the **Inquiry** form and using the **Print** buttons in various other forms for printing copies. When you open a form with a **Preview/Print** button or **View** and **Print Management** buttons, the print procedure is always the same:

- If the invoice has not been printed yet, the **Original preview** option is enabled and the **Copy preview** and **Use print management** options are not available.
- If the invoice has already been printed, the **Original preview** option is not available, and the **Copy preview** and **Use print management** options are enabled. You can use the **Copy preview** and **Use print management** options to print only copies of the invoice.

This functionality applies if you select one invoice or multiple invoices with the same printing status. If you select multiple invoices with different printing statuses, all the options (**Original preview**, **Copy preview**, and **Use print management**) are enabled.

- If you select the **Original preview** option, a warning message is displayed for each selected invoice that has already been printed, indicating that an original invoice cannot be printed again.
- If you select the **Copy preview** or **Use print management** option, a warning message is displayed for each selected invoice that has not yet been printed, indicating that an original invoice must be printed first.

All the warning messages appear in a single message form.

**Note:** The label on the printed document can be **Tax Invoice** or **Tax Credit Note**, depending on the sign of the total amount specified in the document. A minus sign indicates a credit to the customer; a plus sign indicates a charge.

## MASAV electronic clearinghouse

The automated clearinghouse, MASAV, enables the majority of the Israeli banks to send and receive payments electronically using files created in Microsoft Dynamics AX and sent to the clearinghouse. MASAV either transfers the specified funds from customers to the company's bank account (MASAV debit file) or from the companies to the vendor's or customer's bank accounts (MASAV credit file), as specified in the Microsoft Dynamic AX file. This feature enables the following processes:

- Using the Microsoft Dynamics AX electronic payment functionality with the MASAV format
- Support for electronic payment for both Accounts payable and Accounts receivable
- Using MASAV with multiple company bank accounts
- Making and receiving payments to and from multiple vendors and customers in the same file
- Summarizing multiple transactions for a customer or vendor in one record

To work with MASAV, you must open a MASAV account associated with your company's bank account. MASAV provides you with a unique identifier code called MASAV ID.

Refer to the following sections for more information:

- [Setting up the MASAV file function](#)
- [Creating the MASAV payment file](#)

## Setting up the MASAV file function

### Set up MASAV codes in bank accounts

You must set up MASAV credit and debit codes. Typically, you use MASAV to pay your vendors (credit file), but you can also collect payments from customers, if they grant permission, using the MASAV debit file. In this case you must obtain a separate MASAV ID for debits.

Any bank account recorded in Microsoft Dynamics AX can be used to pay or collect payments or both. It is, therefore, necessary to maintain separate MASAV debit and credit codes for each bank account.

1. Click **Bank > Bank accounts**.
2. Select the relevant bank account and double-click it to display the **Bank accounts** form.
3. Click the **Setup** tab
4. Enter the credit ID that you received from MASAV in the **MASAV credit code** field.
5. Enter the debit ID that you received from MASAV in the **MASAV debit code** field.
6. Repeat steps 2 and 3 for every bank account that uses MASAV electronic payments.

### Specify a method of payment for the MASAV format

To use the MASAV file, you must define a method of payment and make the MASAV file format available for it. For more information about setting up methods of payments, refer to the Applications and Business Processes Help.

1. Click **Accounts Payable > Setup > Payment > Methods of Payment** to display the **Methods of Payment** form and create a new method of payment.
2. Select the method of payment and click the **File formats** tab.
3. Select **MASAV (IL)** in the **Export format** field. If the value does not appear in the list, click the **Setup** button, and when the **File formats for methods of payment** form appears, select the **MASAV (IL)** format in the **Available** pane, and click the arrow to move it to the **Selected** pane.

**Note:** The same steps are required to set up an accounts receivable method of payment, but different tables are used for accounts payable and accounts receivable, and you must set up each one individually.

### **Set up bank accounts for vendors and customers**

You must set up a bank account for any vendor that you will pay using MASAV or any customer account that you will debit or credit using MASAV. For more information about setting up vendor or customer bank accounts, refer to the Applications and Business Processes Help.

#### ***Setting up a bank account for a vendor***

1. Click **Accounts payable > Common Forms > Vendor Details > Setup > Bank accounts**.
2. Click CTRL-N and create a new bank account.
3. Enter an account name and select a bank group.

Be sure that the **Routing number** and **Bank account number** fields are filled in correctly. The bank transaction will not be completed for this vendor if incorrect details are entered. Depending on the bank group that you select, a validation will be performed to the **Routing number** and **Bank account number** fields. For more information, refer to [Validations](#) in this document.

4. Close the **Vendor bank accounts** form and open the **Vendors** form.
5. Click the **Payment** tab and select the bank account that you intend to pay to using MASAV.

**Note:** A vendor might have more than one bank account associated with. However, the account that will be used in MASAV file is the one selected in the **Payment** tab.

#### ***Setting a bank account for a customer:***

1. Click **Accounts Receivable > Common Forms > Customer Details > Setup > Bank accounts**.
2. Click CTRL-N and create a new bank account.
3. Enter an account name and select a bank group.

Be sure that the **Routing number** and **Bank account number** fields are filled in correctly. The bank transaction will not be completed for this customer (either debit or credit) if incorrect details are entered. Depending on the bank group that you select, a validation will be performed to the **Routing number** and **Bank account number** fields. For more information, refer to [Validations](#) in this document.

4. Close the **Customer bank accounts** form and open the **Customers** form.
5. Click the **Payment** tab and select the required bank account that you intend to charge from or pay to, using MASAV.

**Note:** A customer account might have more than one bank account associated with it. However, the account that will be used in MASAV file is the one selected on the **Payment** tab

### **Creating the MASAV payment file**

Electronic payments for both accounts receivable and accounts payable are made from within a payment journal.

You can make the electronic payment after creating a payment journal, including payment lines, and before posting the journal. Posting takes place after the clearinghouse has approved the transactions in the file.

You can follow the progress of the payment process using the payment status function.

**Note:** The steps are identical for accounts receivable and accounts payable.

6. Create a payment journal.
6. Create payment lines from a customer or vendor.  
**Note:** You can include several customers or vendors in the same payment journal.
7. For each payment line, select the method of payment that you associated earlier with the MASAV file.
8. Click **Accounts Payable > Payment Journals > Lines > Functions > Generate Payments** (or **Accounts Receivable > Payment Journals > Lines > Functions > Generate Payments**).
9. In the **Generate payments** form, click the **Export format** button and select **MASAV (IL)**.
10. Select the **Show format dialog** check box and click **OK**. The files are created at the location you specified. The payment date for all the transactions included in the file is adjusted to the date selected for the file.
11. In the **MASAV (IL) format** form, enter the MASAV file information in the **Debit file name** and **Credit file name** fields, and enter a payment date.

**Note:** For accounts payable you are not required to enter a debit file name. Set the payment date to the current date or an earlier one. You cannot specify a future date because it may cause inconsistencies in financial reports.

Debit and credit transactions that involve the same vendor (in Accounts payable) or customer (in Accounts receivable) are summed up in one total transaction payment. Whether a debit or credit file is created depends on the total results. For Accounts payable, no debit file is created because if vendors owe money to the company, the payment is settled in other ways.

## Receipts

According to Israeli regulatory requirements you must issue a document (receipt) for any payment that you receive from a customer or from a vendor who returns money to you. Information is tracked about whether or not a receipt has been printed for any payment. A receipt is addressed to a single entity, a customer or vendor. If a journal entry for a payment lists several customers or vendors, receipts must be printed for each of them separately.

Receipts look similar to invoices, and each receipt is identified by a unique number. Receipts are managed similarly to invoices: only one original receipt can be printed, and there is an indication on each receipt whether it is an original or a copy.

Refer to the following sections for more information:

- [Setting up receipts](#)
- [Receiving payments from customers and vendors](#)

### Setting up receipts

Setting up the receipts involves the following procedures:

- [Set the numbering sequence](#)
- [Change the number sequence in Accounts receivable](#)
- [Change the number sequence in Accounts payable](#)
- [Set the Israeli check method of payment in Accounts receivable](#)
- [Set the Israeli check method of payment in Accounts payable](#)

### Set the numbering sequence

When you install the Israeli localization, a new type of number sequence is added for customer and vendor receipt numbers. You must create number sequences for both accounts receivable and accounts payable receipts in the number sequences table, and relate them to the receipt functionality in the **Accounts receivable parameters** and **Accounts payable parameters** form.

1. Click **Basic > Setup > Number sequences > Number sequences** to display the **Number sequences** form. Use the standard system functionality to add a new record with the appropriate code and format. For example, you can use the following values.

Field	Value in AR	Value in AP
Number sequence code	AR-Rec01	AP-Rec01
Name	Receipt number	Receipt number
Smallest	1	1
Largest	999999999999999	999999999999999
Next	1	1
Format	AR-#####	AP-#####
Setup	<b>In use</b> and <b>Continuous</b> boxes selected	<b>In use</b> and <b>Continuous</b> boxes selected
Allow user changes	No	No

**Note:** Be sure that the **Continuous** check box is selected.

2. Click **Save**.

### **Change the number sequence in Accounts receivable**

1. Click **Accounts receivable > Setup > Parameters**.
2. Click the **Number sequences** tab.
3. Select the record with the **Receipt** value in the **Reference** column.
4. In the **Number sequence code** column, select the sequence number that you have created for the Accounts receivable receipts.

### **Change the number sequence in Accounts payable**

1. Click **Accounts payable > Setup > Parameters**.
2. Click the **Number sequences** tab.
3. Select the record with the **Receipt** value in the **Reference** column.
4. In the **Number sequence code** column, select the sequence number that you have created for the Accounts payable receipts.

### **Set the Israeli check method of payment in Accounts receivable**

1. Click **Accounts receivable > Setup > Payment > Method of payment**.
2. Create a new method of payment and name it, for example, "Israeli Check."
3. Enter the required information, such as **Payment type** (it should be **Check**) and **Payment account**.
4. Click the **Payment control** tab.
5. Select the **Payment reference is mandatory** check box.
6. Select the **Use payment reference for Israeli check details** check box.
7. Press **CTRL-S** to save the record.

### **Set the Israeli check method of payment in Accounts payable**

1. Click **Accounts payable > Setup > Payment > Method of payment**.
2. Create a new method of payment and name it, for example, "Israeli check."
3. Click the **Payment control** tab.
4. Select the **Payment reference is mandatory** check box.
5. Select the **Use payment reference for Israeli check details** check box.
6. Press **CTRL-S** to save the record.

## **Receiving payments from customers and vendors**

Receipts are used in the same way in Accounts receivable and Accounts payable. Refer to the following procedures for information about receiving payments.

- [Receive a payment from a customer](#)
- [Receive a payment of the "Israeli check" type](#)
- [Receive a payment returned by a vendor](#)

### **Receive a payment from a customer**

1. Click **Accounts receivable > Payments > Payment journal**.

2. Enter payment information by using either the **Enter customer payments** form or **Journal vouchers** (clicking the **Lines** button). If the method of payment is by check, refer to [Receive a payment of type "Israeli check"](#) below.
3. Press **CTRL-S** to save and post the payment lines.
4. Click the **Post** button. In the **Receipt printing** form, be sure that the **Print receipt** box is selected, and then click **OK**.

The receipt is printed in the Israeli format and is identified as an original. A receipt can be posted only after posting the payment.

**Note:** According to Israeli regulations, a receipt must be generated for each payment, but it may not be sent to the customer if the customer does not demand it.

The receipt contains the following data.

Field	Description/Comments
Company name and address	
Organization number	The company's organization number.
VAT registration number	The company's VAT registration number.
Deduction file ID	The company's deduction file ID.
Receipt number	Unique identifier of the receipt, as defined in the number sequence table.
Customer/Vendor name and address	
Original/Copy	Identifier indicating whether the receipt is an original or a copy.
Customer/Vendor no	Customer or vendor number.
Date	Date of printing of the original receipt.
Invoice number	Invoice number, as it appears in the journal transaction line.
Amount	
Check details	Bank code, branch number, account number, and check number.
Payment date	
Method of payment	Methods of payment defined, such as Israeli check, bank transfer, etc.
Description	Transaction text, as it appears in the journal transaction line.
Total amount	Total of all amount lines.
Currency code	

### Reprint a receipt

In the **Payment journal** or the **Payment journal** lines form click **Print > Receipt Copy/Original**.

If this is not the first time that the receipt is printed, the word "Copy" will appear on the printed receipt, in compliance with Israeli regulations.

### Receive an Israeli check payment type

If the [method of payment](#) is **Israeli check**, you must enter the check details that appear on the check itself, such as bank code, branch number, account number, and check number, in the **Payment reference** field of the payment journal. You can enter this information in **Check details** field.

**Note:** You can also enter the check details manually, using the following format: xx/xxx/xxxxxxxx/xxxxxxx" (bank code/branch number/account number/check number).

## Receive a payment returned by a vendor

If you receive payment from a vendor, for example, following the return of goods, use the following procedure to print a receipt.

1. Click **Accounts payable > Payments > Payment journal**.
2. Click the **Lines** button and enter the payment information in the **Journal voucher** form. Press **CTRL-S** to save the payment, and then post the payment lines.
3. When the **Posting** form opens, be sure the **Print receipt** check box is selected and click **OK**.

The system prints the receipt in the Israeli format, identifying it as an original.

### Notes:

Printing the receipt is possible only after the payment has been posted.

According to Israeli regulations, a receipt must be generated for each payment, but it is not always sent to the customer if the customer does not demand it.

## Reprint a receipt

In the **Payment journal** or the **Payment journal lines** form click **Print > Receipt Copy/Original**.

If this is not the first time the receipt is printed, the word **Copy** will appear on the printed receipt, in compliance with Israeli regulations.

**Note:** You can enter a customer or vendor payment using a general journal transaction. If you select an account of the type **Customer** or **Vendor**, a message is displayed and you are prompted to enter this information in Accounts receivable or Accounts payable, but it does not prevent you from entering the information if you choose to ignore the warning. You cannot print receipts in General ledger.



## Open format

The Open format (DAMKA) functionality is mandated by the Israeli Tax Authority for all ERP and accounting software. The feature enables retrieving core data, such as inventory, financial, and logistics transactions from the ERP database. A set of files is generated in a format specified by the tax authorities, which can be used for auditing purposes. Click the following link for additional information: [http://ozar.mof.gov.il/taxes/bikoret\\_memuhshevet/mivne\\_ahid.htm](http://ozar.mof.gov.il/taxes/bikoret_memuhshevet/mivne_ahid.htm). This release of the Israeli localization complies with version 1.31 of the tax authority's specification document.

Open format enables a user with administrator rights to specify a date range and a list of queries to run. The output files are stored in a folder that is named dynamically according to the date and time that it was created.

The following conditions must be met to use the open format feature:

- The user running the open format function must belong to the administrators group in Microsoft Dynamics AX.
- The client machine must have sufficient disk space for the destination file, the temporary file folder, and the log file.
- The user who is running the open format function must have write privileges to the destination file folder, the temporary file folder, and the log folder.

### Generate open format files

1. Click **Administration > Periodic > Israel > Open format**.
2. In the **Open format** form, enter the date range in the **From date** and **To date** fields.  
**Note:** Selecting a period greater than 12 months may result in a very large file size and can affect the system performance.
3. Select the check boxes of the queries to include in the current run. Click the **Mark all** button to select all queries. Click the **Process** button to begin generating the file.

You can track progress at the query level by checking the information in the **Progress report** column.

The following list of queries (documents) is generated by the open format function.

Document Number	Document Type
100	Order
200	Packing slip
210	Return note
305	Tax invoice
310	Summary invoice
320	Invoice / Receipt
330	Credit note
400	Receipt
420	Bank deposit
500	Purchasing order
600	Purchase packing slip
610	Return purchase

Document Number	Document Type
700	Purchase order
710	Credit note
810	Inventory receipt
820	Inventory issue
830	Inventory transfer
840	Inventory counting
900	Production receipt
910	Production issue

4. Click the **Process** button to open the **Parameters** form. Default values are displayed in every field. Modify the values, as needed. The fields in the **Parameters** form are listed below.

Field	Description/Comments
File path	The directory on the local computer where the new folder will be created. <b>Note:</b> Although this field allows you to define any path, the instruction from the authorities is that it should be at the root location, such as C:\, D:\, or a similar location, depending on your individual file structure.
Log level	Determines the level of detail included in the log file for troubleshooting purposes.
Batch size (days)	For performance reasons, you can process the data in batches. This value determines the number of days processed in each batch.
Min. disk space	The minimum amount of disk space required on the selected drive to run the process (in MB).
Log file	The directory on the local computer where the log file is created.
Temp directory	The temporary working directory on the local computer used in the processing of the file.
Language	Language of the open format user interface— either Hebrew or English (independent of the language preferences set up in Microsoft Dynamics AX). The change takes effect after exiting the form and restarting the process.

**Note:** The function validates that the user has write permission to all specified file paths.

5. Click the **Save and continue** button to save all the parameters for the next processing run and to begin generating the open format files.

**Note:** Generating the open format files may involve a large number of database records and calculations, and it can take up to several hours to complete. Running time will vary, depending on date range, the number and nature of the selected queries, the amount of data in the database, and the hardware. The process runs on both the server and client computers. Although it is not likely to affect server performance, the client areas are likely to be affected to a degree that depends on the hardware. Use the process carefully. Run it only during off-peak hours and consider running it in several stages, selecting only a portion of the queries each time.

At the end of the process, a summary form is displayed that lists the following information about the current run:

- Path of the open format created folder.
- Number of records found.
- The date ranges used for the current run.

- The duration of the process run.

According to tax authority specifications, the newly created folder contains the following two files:

- INI.txt
- BKMVDATA.txt

For additional information about the contents and structure of these files, click the following link:  
[http://ozar.mof.gov.il/taxes/bikoret\\_memuhshevet/mivne\\_ahid.htm](http://ozar.mof.gov.il/taxes/bikoret_memuhshevet/mivne_ahid.htm).

**Note:** After the process is completed, several temporary files containing company information remain in the temporary directory specified for the run. You have the option to delete or keep these files.

## Withholding Taxes

An Israeli regulatory requirement gives all companies involved in payable transactions power of attorney to withhold taxes from vendors on behalf of the Israeli Tax Authority. All vendors must have a valid bookkeeping registration number. The amount of tax to be withheld is determined by the Israeli Tax Authority for each vendor.

Some vendors are exempt from tax withholdings. Still, the company is obligated to report any payments to these vendors and specifically show that no tax has been deducted from their payments.

The percentage of tax withheld is set by the authorities and it is valid for a specific period of time (typically, one year). At the end of this period, it is renewed with the same or a different value, based on the authority's judgment and on legal criteria. The company is responsible for maintaining the vendor's withholding percentage (effective date) and keeping it up to date.

Additionally, Israeli vendors need to have a bookkeeping authorization from the authority. The authorization is also time-limited and must be renewed periodically. Typically but not necessarily, effective dates for withholding tax and bookkeeping authorization coincide.

Vendors who have no valid bookkeeping authorization are not allowed to be paid; therefore, the transactions are blocked.

The summary of payments and the amounts of tax withheld are periodically reported to the authority using a legal format. The amounts are also reported for each vendor individually.

This functionality is based on the Microsoft Dynamics AX standard Withholding Tax functionality within Accounts payable. The enhancements and adjustments implemented in the Israeli localization include the following:

- The **Withholding tax group** in the **Vendors** form includes effective dates (**From-To**).
- Bookkeeping authorization (effective dates) management is provided.
- Both **Withholding tax group** and **Bookkeeping authorizations** can hold multiple records (referring to history and future dates).
- New fields are added: **Company tax ID type**, **Tax authority ID** and **Withholding tax type**.
- A mass update option (to update a group of selected vendors simultaneously) for **Bookkeeping authorization** and **Withholding tax group** values is included.
- The method for selecting the percentage to be deducted from each payment in the payment journal has changed.
- Payment to vendors who do not have a valid bookkeeping authorization is blocked.
- Reports 856 and 857 are added.

Refer to the following sections for more information:

- [Setting up a tax withholding group](#)
- [Using the Withholding Tax feature](#)
- [Using the Withholding Reports feature](#)

### Setting up a tax withholding group

Before associating a tax withholding with a vendor, it is necessary to define a list of tax withholding groups. Use the following procedures to set up a tax withholding group:

- [Define a tax withholding group](#)
- [Set up a tax withholding group](#)

- [Set up vendor tax withholding information for the first time](#)
- [Update tax withholding information for a vendor](#)

### Define a tax withholding group

1. Select **General ledger > Setup > Withholding tax > Withholding tax codes**.
2. Click the **New** button (or press **CTRL-N**).
3. Enter the code.

**Note:** The Withholding tax code is defined as a percentage value. For example, **30** defines a 30 percent tax withholding and **0** defines a tax exemption. The tax withholding group is identified by a code that is usually the same as the withholding tax code linked to it. For example, group **30** is linked to **Withholding tax code 30**.

4. Enter the description, currency (Israeli Shekel), and a reference account.
5. Click the **Values** button and enter the value of the **Withholding tax code**.
6. Repeat steps 2 through 5 for every group you define.

#### Notes:

Make sure that only one record exists in the withholding tax values, otherwise, it may produce unexpected results later.

The effective dates should be set to unlimited time. For example, **From date** can be yesterday's date and **To date** should be set to **2099**.

Refer to the Applications and Business Processes Help for more information about setting up the withholding tax codes.

### Set up a tax withholding group

1. Select **General ledger > Setup > Withholding tax > Withholding tax groups**.
2. Press **CTRL+N** or click the **New** button.
3. Enter the group code defined above and a description.
4. Click the **Setup** tab.
5. Select the corresponding withholding tax code.
6. Repeat steps 2 through 5 for every defined group.

**Note:** Make sure that only one record (a single withholding tax code) exists on the **Setup** tab, otherwise, it may produce unexpected results later.

Refer to the Applications and Business Processes Help for more information about setting up the withholding tax groups.

### Set up vendor tax withholding information for the first time

1. Click **Accounts payable > Vendors** and select a vendor.

**Note:** It is assumed that vendors have already been set up in the system. Refer to the Applications and Business Processes Help for more information about managing vendor information.

2. Click the **Setup** tab and select the **Calculate withholding tax** check box.

If this is the first time tax withholding setup for this vendor, the **Vendor withholding** form opens to associate the vendor with a withholding tax group.

3. Enter a valid effective withholding range of dates in the **Effective from** and **Effective to** fields and select the appropriate withholding tax group.

**Note:** The **Effective from** and **Effective to** range of the record being entered must include the current date. The application retains all history records for the sake of auditing, but the effective group is determined by the most recent record. If the most recent record has expired, no other record will be used, even if its effective range includes the current date.

4. Close the **Vendor withholding** form. The effective values are displayed in the **Vendors** form.
5. Select a tax authority ID number.
6. Select a company tax ID type. Available options are **Freelance**, **Company**, and **Registered business**.
7. Select a withholding tax type. The withholding percentage defined by the authority is based on those categories, and maintained according to the nature of trade you have with this vendor. Values are:
  - Services or assets (Default value)
  - Agricultural products
  - Insurance fee
  - Tax regulations
  - Interest and linking differences
8. Click the **Setup** button, select **Bookkeeping authorization**, and enter the effective dates of the bookkeeping authorization.

**Notes:**

If a valid effective bookkeeping period is not defined or has been defined but expired, no payments can be posted.

The effective from and effective to range of the record being entered must include the current date. The application retains all history records for the sake of auditing, but the effective group is determined by the most recent record. If the most recent record has expired, no other record will be used, even if its effective range includes the current date.

### **Update tax withholding information for a vendor**

You can update the vendor's withholding tax group or bookkeeping authorization for individual vendors and for a group of selected vendors.

#### ***Update tax withholding information for an individual vendor***

1. Click **Accounts payable > Vendors** and select a vendor.
2. To update the vendor's withholding tax group, click **Setup > Vendor withholding**, and enter a new record.
3. To update the vendor's bookkeeping authorization, click **Setup > Bookkeeping authorization** and enter the bookkeeping record

**Note:** In both forms you can only add a new record; deleting or modifying existing records is not allowed.

#### ***Update tax withholding information for multiple vendors (mass update)***

1. Click **Accounts payable > Vendors**.
2. Select the range of vendors to update.
3. On the **General** tab, click the **WHT Mass update** button.
4. In the **Withholding mass update** form, select **Update withholding tax** or **Update bookkeeping dates** and provide the required data.

5. Click the **Update** button to update the selected vendors with the new data or click **Cancel** to discard the update.

**Note:** If the **Calculate withholding tax** check box for a particular vendor was not selected before the mass update process, it will remain cleared even if the vendor was included in the mass update group. This field must be updated individually.

## Using the Withholding tax feature

Payments to vendors and the tax withheld from them are based on standard Microsoft Dynamics AX functionality. This means that using either a payment proposal or a direct entry of payment journal lines is checked to verify whether the vendor is set up for tax withholding. This is determined by whether the **Calculated withholding tax** box is checked and on the details provided in the form.

### Withhold tax from payment to vendor

The enhancements and adjustments of the payment functionality implemented in the Israeli localization include the following:

- For any vendor included in the payment journal and marked for tax withholding, the system determines the withholding percentage according to the effective withholding tax group.
- If the effective value is not provided, in order to not delay payments the withholding percentage is applied, according to the most recent withholding tax group. In this case, warning message that the effective record is missing is displayed. You can either choose to ignore the warning, or cancel the payment and proceed to update the vendor information.

**Note:** Two warnings may be issued: when creating the lines, for each individual line, and again after clicking the **Post** button. The second warning lists all the irregular lines, down to the settlement level. Your choice to cancel or to proceed with the posting applies to all the lines.

- You can manually override the withholding tax group before posting the payment. During the posting, a warning is displayed that the vendor's actual withholding tax group differs from the effective group. You can either choose to ignore the warning, or to cancel the payment and proceed to update the vendor information.

#### Notes:

The warning lists all the irregular lines (down to the settlement level). Your choice to cancel or to proceed with the posting applies to all the lines.

If you do not wish to withhold the tax from (to exempt) a vendor who is marked for withholding, select an exempt withholding tax group instead of deleting it. This important detail must be reported to the tax authorities.

- If a vendor included in the payment does not have a valid bookkeeping authorization, the payment cannot be posted. All such vendors will be listed in the error log. You can update this vendor's data and try posting the payment again. Alternatively, you can remove the lines causing the problem from the payment and handle them separately in a new payment journal, after providing a valid bookkeeping authorization.

## Using withholding reports

Refer to the following sections for information about two withholding tax reports required by the Israeli regulations:

- [Withholding tax – 856 report / file](#)
- [Print the Withholding tax 857 report](#)

### **Withholding tax 856 report/file**

This is a monthly report sent to the Israeli IRS that describes all company payments to vendors from whom withholding tax has been deducted. The report can be generated as a printout or as a file.

1. Select **General Ledger > Reports > External > Israel**.
2. Select **Withholding tax – 856 report**.
3. Enter the date range in the **From date** and **To date** fields.
4. Select **Yes** or **No** in the **Only vendors marked for withholding** field. If you select **Yes**, only vendors who have the **Calculate withholding tax** check box selected in the **Vendors** form are included in the report. Otherwise, all vendors who had any transactions during the report period are listed showing zero tax deductions.
5. Click the **Select** button to include individual vendors and generate a report for a group of selected vendors.
6. Select the output device. If you select **File**, the file in a predefined format to be sent to the authorities will be generated, otherwise the report will be sent to a printer.
7. Click **OK** to generate the report.

### **Print the Withholding tax 857 report**

This is an annual report sent to each vendor that lists all the payments transferred to this vendor during the year by the company, with the withholding tax deductions applied.

1. Select **General Ledger > Reports > External > Israel**.
2. Select **Withholding tax – 857 report**.
3. Enter the date range in the **From date** and **To date** fields.
4. Select **Yes** or **No** in the **Only vendors marked for withholding** field. If you select **Yes**, only vendors who have the **Calculate withholding tax** check box selected in the **Vendors** form are included in the report. Otherwise, all vendors who had any transactions in the course of the year are listed showing zero tax deductions.
5. Click the **Select** button to include individual vendors and generate a report for a group of selected vendors.
6. Select the output device and click **OK**.

**Note:** The report consists of a document (a new page for each vendor) that must be sent to vendors.



## Automatic bank reconciliation

Today all banking information is readily available in an online and downloadable format. Automatic bank reconciliation helps to keep your banking details and balances up to date.

Automatic bank reconciliation is based on the Microsoft Dynamics AX standard bank reconciliation functionality, and adds the ability to import a bank statement electronically and reconcile your bank account in a timely fashion.

After the data from a bank statement is imported into Microsoft Dynamics AX, the matching of bank statement data with the banking data stored in Microsoft Dynamics AX can be performed automatically or manually. Visual representation through color highlighting simplifies the process, especially when a large number of transactions is being processed.

Refer to the following sections for more information:

- [Setting up the automatic bank reconciliation feature](#)
- [Using the automatic bank reconciliation feature](#)

## Setting up the automatic bank reconciliation feature

Setting up the automatic bank reconciliation involves two steps:

- [Set up the automatic bank reconciliation](#)
- [Set up the Bank Statement file format](#)

### Set up the automatic bank reconciliation

1. Click the **Bank > Setup > Parameters > Bank reconciliation** tab.
2. Select the **Extended bank reconciliation** check box.
3. Select the **Bank transaction color** to highlight the new transaction records created in the **Bank reconciliation** form.
4. Select the **Reconciled transaction** color used to highlight the transaction records that have already been matched.
5. Press **CTRL+S** to save and close the form.

### Set up the bank statement file format

1. Click **Bank > Bank accounts**.
2. Select the bank to set up for file import.
3. Click the **Setup** tab, and select the appropriate file format from the **Bank statement file import** field.

There is no single standard format for bank statement files in Israel. Several third-party vendors who provide this service use different formats. In addition, banks have been increasingly allowing direct download of bank statements from their Web sites.

**Note:** Currently this feature supports the Discount Plus file format, which is widespread and common with ERP and financial software systems in Israel. With developer permissions, it is possible, however, to modify the class responsible for importing and parsing, and to create new file formats to satisfy customer requirements.

## Using the automatic bank reconciliation feature

Reconciliation for each bank account is done only one file at a time. The bank statement format must match the bank statement layout used by the bank that is selected in the **Bank accounts** form. It includes the following steps:

- [Import the bank statement file](#)
- [Match the bank statement with the Microsoft Dynamics AX records \(automatically or manually\)](#)
- [Address unmatched transactions and other issues](#)
- [Finalize the reconciliation](#)

### Import the bank statement file

1. Click **Bank > Bank accounts** and select the bank account to be reconciled.
2. Click **Functions > Account reconciliation** to open the **Bank account statement** form.
3. Enter the appropriate values in the **Bank account statement** form fields.

Field	Description/Comments
Bank account statement date	The date of the bank account statement.
Bank statement	The ID of the bank account statement.
Currency	The currency code of the bank account currency. By default, this is the value defined in the <b>Currency</b> field of the <b>Bank accounts</b> form.
Ending balance	The total balance of the bank account statement.

4. Click **Import file** to open the **Bank reconciliation transactions** form, where you can select a file that contains the bank account statement to import.  
Click **Browse** and select the bank account statement file. The **File format** field displays the file format that is set up for the bank in the **Bank accounts** form.  
**Note:** The name of the bank statement file must match the bank account number of the bank being reconciled and the extension of the file must equal the currency, for example **117290.ILS**.
5. To reverse the debit and credit entries in the selected bank statement, select the **Reverse transaction** check box.
6. Click **OK** to import the file and return to the **Bank account statement** form. The transactions are imported from the electronic bank statement to the **Bank account statement** form. You can use these transactions to reconcile the transactions of an account for a particular date.
7. Click the **Transactions** button to view all transactions imported from the electronic bank statement.

### Match the bank statement with the Microsoft Dynamics AX records

Before reconciling the bank statement, you must match the company bank transactions with the corresponding bank account statements. You can use either of the following methods to match the transactions for bank reconciliation:

- Manual match
- Automatic match

#### **Manual transaction match**

1. In the **Account reconciliation** form, match two existing transactions or create a new transaction.

**Note:** To match a pair of transactions manually, the amount of the transaction must be the same for both. If a new bank statement line is created, the bank transaction line is highlighted in the color that was selected in the **Bank parameters** form to indicate that the current transaction is a bank transaction.

2. Select two transactions by pressing the **CTRL** key and clicking in the transaction line, and click the **Manual match** button to match the transactions.
3. If the transactions match, both lines are highlighted with a different color to indicate that the transactions have been matched.

### **Automatic transaction match**

You can automatically match common transactions between the bank and the company to determine whether any transactions have not been updated yet.

1. Click the **Automatic match** button.
2. In the **Automatic match** form, select the criteria to use for matching the selected transactions and click **OK**. Transaction pairs are automatically matched and highlighted in a different color in the **Account reconciliation** form.

**Note:** Matching records are not necessarily located next to each other in the grid. To see a matching pair, select one of the transactions and click the **Show** button. A new form is opened where the specific matched pair is displayed.

### **Address unmatched transactions and other reconciliation issues**

You can track the progress of the matching process in the balance fields in the upper pane of the **Account reconciliation** form. The amount that appears in the **Unreconciled** field decreases as more transactions are matched. In the process, you may need to remove the match relationship from certain transactions and account for transactions that are not matched.

#### **Unmatched transactions**

After matching transaction pairs either manually or automatically, you may still see some transactions that are not matched. These can be either bank transactions not found in Microsoft Dynamics AX or vice versa. Fees and interest payments are good examples of such transactions.

Moreover, if you entered correction transactions in the Dynamics AX bank account, it is likely that you will not find a matching pair for them among the bank statement transactions.

Finally, transfer failures in the process of exporting or importing the statement file can result in missing records in the bank statement.

Examples of unmatched transactions are listed below.

Case	Action	Result
A transaction exists in the bank statement but is missing from Microsoft Dynamics AX (fee, interest, etc.)	Select the <b>Clear</b> checkbox for the bank transaction.	The record is highlighted as a match. After the account is reconciled, the transaction in Microsoft Dynamics AX is posted automatically. <b>Note:</b> For the transaction to be posted to the general ledger, you must manually enter the related ledger account.
	Delete the record using the <b>Delete</b> button.	The record is deleted.
A transaction exists in the Microsoft Dynamics AX bank account but is missing from the bank statement (export/import	Select the <b>Clear</b> checkbox for the Microsoft Dynamics AX transaction.	The record is cleared and will not appear in the next reconciliation.

Case	Action	Result
problem or correction transactions)		
A transaction exists in the Microsoft Dynamics AX bank account but is missing in the bank statement. (The transaction has not been updated yet on the bank side; for example, a check that you just printed and paid.)	Do not select the <b>Clear</b> checkbox.	The record will remain unreconciled after completion of this reconciliation process and will appear in the next reconciliation.

### ***Remove the match relationship***

1. In the **Account reconciliation** form, select a matched transaction line and click **Show**.
2. In the **Reconciled bank transactions** form, select the transaction for which the match relationship needs to be removed.
3. Click **Remove matched records**.
4. Click **Close** to save the changes and close the form.

### **Finalize the reconciliation**

After all records on the bank statement are matched or cleared, the amount appearing in the **Unreconciled** field should be zero, indicating a successful reconciliation. Microsoft Dynamics AX and the bank ending balances display the amount for the reconciliation period.

Click the **Reconcile account** button to reconcile the bank accounts. The process is completed and the new ending balance is updated.

You can generate a report for the summary of the reconciliation.

1. Select **Bank > Bank accounts > Functions > Account reconciliation**.
2. Select the appropriate bank statement record. Typically, this is the last record.
3. Click **Print > Bank reconciliation** to see a side-by-side summary of the completed reconciliation.
4. Select an output device and click **OK**.
5. Click **Print > Reconciliation summary** to see a summary of balances and differences.
6. Select the output device and other options, as needed, and click **OK**.

## Fixed assets reports

The standard functionality of Microsoft Dynamics AX meets the Israeli requirements for acquisitions of assets, calculations of depreciation, and the sale or scrapping of assets. No changes have been made to depreciation calculation or posting to the general ledger.

The following Israel-specific reports (in an Israel-specific format) were added, as mandated by the Israeli regulatory authorities with regard to asset depreciation and disposal:

- Nominal depreciation form (Detailed and Summary versions)
- Tax depreciation form (Detailed and Summary versions)
- Fixed asset depreciation by book (Detailed and Summary versions)
- Nominal capital profit/loss

Refer to the following sections for more information:

- [Setting up the Fixed assets feature](#)
- [Using the Fixed assets feature](#)

## Setting up the fixed asset feature

1. Be sure that **Israel** is selected in the **Country** field under **Admin > Configuration**, as described in the [Introduction](#).
2. Be sure that the fixed assets functionality is enabled and in use. Refer to the Applications and Business Processes Help for more information about enabling and using fixed assets.
3. Be sure that two value models are defined for each asset group: One for tax purposes (using the tax posting layer) and another for reporting to the books (using the current posting layer).
4. Recommended: Define each tax value model to be derived from its corresponding book value model. For more information about setting up derived value models, refer to the Applications and Business Processes Help.

**Note:** Typically, each asset group should be related to two value models (tax and books purposes). Although Microsoft Dynamics AX allows this, however, we recommended that you do not have more than this.

Be sure that all your value models are based on the General ledger period definition. Do not assign any individual Fixed asset calendar to any of your value models. Additionally, be sure that the depreciation profile associated with any of your value models has the year type set to **Fiscal**. This is important if your company uses a fiscal period that is different from the calendar year.

Typically, in Israel you should not have more than one depreciation profile because only the straight line method is used. This profile should then be used by all value models.

5. If you intend to use depreciation books, create as many of them as you need and relate them to the relevant assets groups. Refer to [Use depreciation books to offset capital profits](#).

## Using the fixed assets feature

### Generate the Israeli fixed assets reports

If you selected **Israel** in the **Country** field under **Admin > Configuration**, as described in the [Introduction](#), you can click **General Ledger > Reports > External > Israel** to access the Israeli fixed assets reports.

The Israel-specific reports are:

- [Nominal depreciation form](#)

- [Tax depreciation form](#)
- [Fixed asset depreciation by book](#)
- [Nominal capital profit/loss](#)

The three depreciation reports are based on the structure of the official depreciation form of the Israeli tax authority (Form 1342). Each row in the reports represents one of your assets. The information contained in the columns can be divided into two main groups: Asset values and asset depreciation amounts.

To generate a depreciation report, select a reporting period (one year or less), which becomes your current year, based on the periods as defined in General ledger. Transactions, such as acquisitions or depreciations that took place during the current year are shown in separate columns from those concluded in prior years.

The format of the three depreciation reports is similar, but their sources differ as follows:

The **Nominal depreciation** form is based on the transactions reported in the company books and follows the depreciation model set for the purpose of maintaining the books.

The **Tax depreciation** form is based on the depreciation model used for tax purpose and to submit to the authorities.

The **Fixed asset depreciation by book** is based on the values that appear in the depreciation books, if any have been defined in the system. These transactions are not posted in the general ledger books. One possible use of this report is to handle capital profits when replacing an asset. Refer to the section [Use depreciation books to offset capital profits](#) for more information.

### Print the Nominal depreciation form

You can generate the **Nominal depreciation form** in two layouts—detailed and summary. The fields in the **Nominal depreciation** form are listed below.

Field	Description/Comments
From date	Must be the first day of the fiscal year, which the <b>To date</b> belongs to, based on the years that are defined in the general ledger periods.
To date	The last date of the period to be reported within the current year. Transactions registered after this period are not taken into account. <b>Example:</b> If 2008 is the current year of your report, but you want to include only transactions reported until the end of Q1 (and ignore transactions registered in April-December), enter 01/01/2008 as the from date and 31/03/2008 as the to date.
Detail level	Enter <b>Summary</b> or <b>Details</b> . The default value is <b>Details</b> .
Select	Select to run the report on all the fixed asset groups or only on some of them.

**Note:** It is assumed that the depreciation method as defined in the value models matches the General ledger periods. If not, incorrect results for the asset might be displayed in the report.

The following information is displayed in the **Nominal depreciation form** at the detailed level. Depreciation calculations are based on asset book data derived from layers of the type **Current**.

Name	Comments
Asset number	
Asset description	
Acquisition date	
Operating date	Date when the asset was placed in service.

Disposal date	
Acquisition cost	The sum of acquisitions and acquisition adjustments performed in prior years.
Amount of changes this year	The sum of acquisitions and acquisition adjustments performed this year.
Sales and scrap this year	
Amount of depreciable assets	The acquisition cost + amount of changes this year - sales and scrap this year.
Depreciation rate as charged	The calculation based on the service life value of the asset. If the service life is less than one year, the rate shown is 0. A corresponding message is displayed.
Depreciation amount this year	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for this year.
Accumulated depreciation prior years	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for prior years.
Depreciation amount for disposed assets	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for all years, including the current year.
Total accumulated depreciation amount	The depreciation amount this year + accumulated depreciation prior years - depreciation amount for disposed assets.
Net value	
Sale amount	

To print the summarized version of the report, select **Summary** in the **Detail level** field. The report displays the same columns with the values summarized by assets group rather than for individual assets.

### Print the Tax depreciation form

You can generate the **Tax depreciation form** in two layouts—detailed or summary. The fields in the **Tax depreciation** form are listed below.

Field	Description/Comments
From date	Must be the first day of the fiscal year, which the <b>To date</b> belongs to, based on the years that are defined in the general ledger periods.
To date	The last date of the period to be reported within the current year. Transactions registered after this period are not taken into account. <b>Example:</b> If 2008 is the current year of your report, but you want to include only transactions reported until the end of Q1 (and ignore transactions registered in April-December), enter 01/01/2008 as the from date and 31/03/2008 as the to date.
Detail level	Select <b>Summary</b> or <b>Details</b> . The default value is <b>Details</b> .
Select	Select to run the report on all the fixed asset groups or only on some of them.

**Note:** It is assumed that the depreciation method as defined in the value models matches the General ledger periods. If not, incorrect results for the asset might be displayed in the report.

The following information is displayed in the **Tax depreciation form** at the detailed level. Depreciation calculations are based on asset book data derived from layers of the type **Tax**.

Name	Description/Comments
Asset number	
Asset description	
Acquisition date	
Operating date	Date when the asset was placed in service.
Disposal date	
Acquisition cost	The sum of acquisitions and acquisition adjustments performed in prior years.
Amount of changes this year	The sum of acquisitions and acquisition adjustments performed this year.
Sales and scrap this year	
Amount of depreciable assets	The acquisition cost + amount of changes this year - sales and scrap this year.
Depreciation rate as charged	The calculation based on the service life value of the asset. If the service life is less than one year, the rate shown is 0. A corresponding message is displayed.
Depreciation amount this year	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for this year.
Accumulated depreciation prior years	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for prior years.
Depreciation amount for disposed assets	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for all years, including the current year.
Total accumulated depreciation amount	The depreciation amount this year + accumulated depreciation prior years - depreciation amount for disposed assets.
Net value	
Sale amount	

To print the summarized version of the report, select **Summary** in the **Detail level** field. The report displays the same columns with the values summarized by assets group rather than for individual assets.

### Print the fixed asset depreciation by book report

You can print this report for any depreciation book in the system, but the details depend on how you manage the book. If, for example, you associated a depreciation book with only part of your assets groups, only assets belonging to those groups are included in the report.

The depreciation book can also be used to offset capital profits (see [Use depreciation books to offset capital profits](#) below). The depreciation report with the capital profit offset can be sent to tax authorities. The columns showing the asset value (current and prior years) also take into account the value adjustments performed using the write up/down journals and revaluations.

You can generate the **Fixed asset depreciation by book** report in two layouts—detailed and summary. The fields in the **Fixed asset depreciation by book** report are listed below.

Field	Description/Comments
Depreciation book	The depreciation book used as the data source. Only one book can be used each time.



Field	Description/Comments
From date	The first day of the year to be considered as the current year for reporting purposes. <b>Note:</b> To get accurate results, the first day should follow the depreciation profile set for the specific book selected in the <b>Depreciation books</b> form.
To date	The last date of the period to be reported within the current year. Transactions registered after this period are not taken into account.
Detail level	Enter <b>Summary</b> or <b>Details</b> . The default value is <b>Details</b> .
Select	Select to run the report on all the fixed asset groups or only on some of them.

The following information is displayed on the **Fixed asset depreciation by book** report, at the detailed level. Depreciation calculations are based on asset book data derived from layers of the type **Tax**.

Name	Description/Comments
Asset number	
Asset description	
Acquisition date	
Operating date	Date when the asset was placed in service.
Disposal date	
Acquisition cost	The sum of acquisitions and acquisition adjustments performed in prior years. Additionally, this column includes changes to the asset value carried out with the following methods: <ul style="list-style-type: none"> <li>• Write up adjustment</li> <li>• Write down adjustment</li> <li>• Revaluation</li> </ul>
Amount of changes this year	The sum of acquisitions and acquisition adjustments performed this year. Additionally, this column includes changes to the asset value carried out with the following methods: <ul style="list-style-type: none"> <li>• Write up adjustment</li> <li>• Write down adjustment</li> <li>• Revaluation</li> </ul>
Sales and scrap this year	
Amount of depreciable assets	The acquisition cost + amount of changes this year - sales and scrap this year.
Depreciation rate as charged	The calculation based on the service life value of the asset. If the service life is less than one year, the rate shown is 0. A corresponding message is displayed.
Depreciation amount this year	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for this year.
Accumulated depreciation prior years	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for prior years.
Depreciation amount for disposed assets	The sum of the balances of depreciation, depreciation adjustment, and extraordinary depreciation for all years, including the current year.
Total accumulated depreciation amount	The depreciation amount this year + accumulated depreciation prior years - depreciation amount for disposed assets.
Net value	

Name	Description/Comments
Sale amount	

To print the summarized version of the report, select **Summary** in the **Detail level** field. The report displays the same columns with the values summarized by asset group, rather than for individual assets.

### Print the Nominal capital profit/loss report

The fields of the **Nominal capital profit/loss** report form are listed below.

Name	Description/Comments
From date	Must be the first day of the fiscal year, which the <b>To date</b> belongs to, based on the years that are defined in the general ledger periods.
To date	The last date of the period to be reported within the current year. Transactions registered after this period are not taken into account. <b>Example:</b> If 2008 is the current year of your report, but you want to include only transactions reported until the end of Q1 (and ignore transactions registered in April-December), enter 01/01/2008 as the from date and 31/03/2008 as the to date.
Select	Select to run the report on all the fixed asset groups or only on some of them.

The following information is displayed on the **Nominal capital profit/loss** report. Asset disposal value calculations are based on asset book data derived from layers of the type **Current**.

Name	Description/Comments
Asset number	
Description	
Acquisition date	
Sale/Disposal date	
Acquisition cost	
Sale amount	
Net value	
Profit/Loss value	Calculated: Sale amount - Net value.

### Use depreciation books to offset capital profits

The Israeli tax authority allows companies to deduct the capital profit gain from the sale of an asset from the value used for purposes of depreciation of an asset that replaces the original one. This is known as Article 96 in the Israeli tax regulation.

Offsetting the capital profit from the value of the new asset is carried out only to calculate depreciation for tax purposes, and it does not change the value posted in the books. The recommended method for performing the capital profit offset is using the Microsoft Dynamics AX depreciation books.

You can manage the writing down of the cost of an asset for depreciation calculations in parallel with the transactions posted to the books without affecting the consistency of the books.

If you choose to send the depreciation report to the tax authorities with offsetting of capital profits, define a dedicated depreciation book for this purpose and use the fixed asset depreciation by book report, which is similar to the Tax depreciation form, but includes the value adjustments.

Use the following procedure to create a depreciation book based on one of the value models.

1. Create a depreciation book for capital profit offsetting. The depreciation profile and calendar must be identical to the value model that you are using for tax purposes.
2. For each value model you intend to use with your assets groups, define a depreciation book derived from the appropriate value model. Click **General ledger > Setup > Fixed assets > Value models**.
3. Select a **Value model**.
4. Click the **Derived depreciation books** tab.
5. Create a new record for each **Transaction type** in the depreciation book. Each record is a combination of the depreciation book and the transaction type.
6. Repeat steps 3 through 5 for each relevant value model.
7. If you have not yet done so, associate the value models that you modified with the relevant asset groups.

**Note:** You can derive a depreciation book from a value model, but not the other way around. The relationship between value models and depreciation books is one-way, so that changes you make to the value model are reflected in the depreciation book, but not the other way around. Thus, each time you record a transaction for an asset associated with a value model, a similar transaction is recorded in the depreciation book.

#### **To offset capital profits:**

1. Calculate the profit outside Microsoft Dynamics AX, based on the relevant factors, such as index rates, published by the Israeli tax authority.
2. Click **General ledger > Journals > Depreciation books**.
3. Create a new journal and click the **Lines** button.
4. Create a transaction of the type **Write down adjustment**.
5. Enter the number of the new asset in the **Fixed asset number** field.
6. Enter the name of the depreciation book that you created for capital profit offsetting in the **Depreciation book** field.
7. Enter the amount to deduct (the calculated profit) in the **Credit** field and an optional comment in the **Transaction text** field.
8. Post the journal.

In the depreciation book, the value of the new asset is reduced for the purpose of depreciation calculations, as shown in the **Profile** or **Balance** fields.

**Note:** Be sure you perform the write down adjustment in the **Depreciation books journal** only. Do not use write down adjustments in the **Fixed assets journal** because this changes the real value of the asset and can cause inconsistencies in your books and reports.

#### **Document asset replacement details**

To document the asset replacement in details for future use, use the **Asset additions** form.

1. Click **General ledger > Places > Fixed assets**.
2. Double click the new asset that replaces the older one.
3. Click the **Additions** button.
4. Click the **New record** button.

- 
5. Use the **Description**, **Comments** and other appropriate fields to document the replacement, for example, to include a reference to the replaced asset.

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