



Infor LN Classification Schemes User Guide

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About this guide

This document describes the processes related to the classification schemes functionality in Infor LN.

Intended audience

This document is intended for persons responsible for the product classification, domestic and international trade. Consequently, the intended audience can include key users, implementation consultants, product architects, and support specialists.

Assumed knowledge

Although you need no detailed knowledge of the LN software to read this guide, general knowledge of the LN functionality will help you understand this guide.

Document summary

This table shows the chapters of this guide:

Chapter	Content
Classification Scheme - Overview	Provides an overview of the Classification Schemes functionality in Infor LN
Classification scheme - Defining Master Data	Provides information on the initial data setup for the classification schemes sessions
Associating scheme code as per scheme base	Provides information on the relation between the scheme code and the scheme base
Procedure to determine the classification scheme code	Provides information on the procedure to find the classification scheme code in various packages

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Chapter 1: Classification Scheme - Overview

Regulations in many countries require all taxable transactions to be classified during reporting. Commonly used classification schemes are the Harmonized (HS) code and United Nations Standard Products and Services Code (UNSPSC), but other schemes are also in use.

Classification schemes include taxonomy of goods and services. They enable sellers and buyers to describe goods and services in a common way.

The classification-scheme solution provides a framework for specifying more than one classification scheme and mapping transaction attributes to a classification scheme code. Classification scheme and scheme codes are supported for all outgoing transactions that result in billable lines.

Infor LN supported classification of goods by way of HS codes. However, with classification schemes, goods as well as services can be classified.

The table lists some of the major classification schemes and the co-relation with HS code:

Classification Scheme	Ownership	Co-relation with HS	Remarks
SITC - Standard International Trade Classification	UNSD (United Nations Statistics Division)	Well correlated with HS, with structures and principles as Analogous with the HS.	Only available for goods. UNSD and WCO work in close co-ordination. Hence both are consistent to a large extent
UNSPSC (United Nations Standard Products and Services code)	UNDP (United Nations Development Program)	Indirectly through correlation with SITC	A global, open standard for classification of products and services across all industry sectors. Hierarchical in nature
eClass	maintained by the industry consortium ECLASS e.V. association	Not Available	For Goods and Services
EBOPS2010 (Extended Balance of Payments Services Classification 2010)	UNSD (United Nations Statistics Division)	Not Available	Only for Services

All transactions (especially taxable, whether goods or service related), have to be associated with a classification scheme code.

Chapter 2: Classification scheme - Defining Master Data

This topic provides you the information for defining the master data for the classification schemes.

Classification Schemes

Classification schemes are used in domestic and international trade for reporting purposes. You can define Multiple classification schemes, and the usage of these schemes changes based on the country or purpose. An organization may operate from multiple countries with same schemes, or from each country having a different scheme. You can define classification schemes in **Classification Schemes (tccls0110m000)** session. The master data defined in this session is applicable across all the companies.

HS code is the most used classification scheme across the world. Hence, HS code has a specific option 'Based on HS code'. If the classification scheme defined in the **Classification Schemes (tccls0110m000)** session is based on the HS code, you must select the Based on HS Code check box to avoid duplication of HS code data, which is defined in the **Harmonized System Codes (tcmcs0128m000)** session. In such cases, the code always refer to the current HS code.

Codes by Classification Scheme

You can use the Codes by **Classification Schemes (tccls0110m000)** session to list the classification scheme codes for goods and services. This session is enabled for schemes for which 'Based on HS code' is not applicable.

Classification scheme parameters

The classification scheme parameters can be defined at a global level and at a country level. You can specify the parameters at global level using the **Classification Parameters (tccls0100m000)** session and at country level using **Classification Parameters by Country (tccls0101m000)** session. However, LN always considers the parameters defined at the country level (the tax country of the transaction), if available. Else, global level parameters are considered.

You must select the **Use Classification Scheme** check box in the **Classification Parameters (tccls0100m000)** session to enable the classification scheme across all the companies.

You can specify separate classification schemes for goods and services. You can also specify the search sequence for various attributes such as Business Partner, Business Sector, Task and so on depending on transaction origins like Project, Service and so on, to identify the classification scheme.

You can link a classification scheme which is 'Based on HS code'. Other classification schemes can be used for organization specific reporting purposes.

Classification scheme parameters by country

You can define the parameters for the classification schemes specific to a country using the **Classification Parameters by Country (tccls0101m000)** session. You can also define a search sequence different from global parameters.

Chapter 3: Associating scheme code as per scheme base

You can define attributes for each origin that can have an impact on the classification scheme code. You can map these attributes to a corresponding classification scheme code as per the scheme base. The Scheme base has two attributes, namely, Goods and Services. This scheme base is linked to 'VAT based on' value, specified during tax determination (this value is either defined for transactions or is derived based on the nature of the item or transaction).

Classification scheme code for Items, scheme base – Goods and Services

You can link an item to a scheme code using the Classifications for Items (tccls1100m000) session. Possible scenarios:

- When the **Country** is specified and the **Scheme Base** is set to **Goods**, this session can be used to link scheme codes for a country. The transaction must be related to the sale or purchase of inventory items.
- When the **Country** is not specified and the **Scheme Base** is set to **Goods**, this session can be used to link scheme codes at a global level (for all countries). The transaction must be related to sale or purchase of inventory items.
- When the **Country** is specified and the **Scheme Base** is set to **Services**, this session can be used to link scheme codes for a country. The transaction is related to service of inventory items or the item is a service item.
- When the **Country** is not specified and the **Scheme Base** is set to **Services**, this session can be used to link scheme codes at a global level (for all countries). The transaction is for service of inventory items or the item is a service item.

Note: When the code is the same across countries and is based on item HS code, mapping is not required. You can use the default option specified in the parameter session. This mapping can be used only for exceptions specific to a country.

Classification scheme code by Item

You can use the Classifications for **Classifications for Items (tccls1100m000)** session to view all the classification schemes and the related codes for an item.

Classification scheme code by Landed Cost Type

For Landed cost, the scheme base is mostly of the type **Services**. However, there can also be landed costs that may be **Goods** in nature. For example, packaging cost of the item which is considered as goods. Hence, you can map landed cost to goods as well as service. You can select the appropriate 'VAT based on' value at the transactional level (landed cost line) as this is mapped to scheme base.

You can use the **Classifications for Landed Costs (tccls1110m000)** session to link a landed cost type to a code of a scheme. Possible scenarios:

- When the **Country** is specified and the **Scheme Base** is set to **Goods**, this session can be used to link scheme codes for a country based on landed cost type where transaction is for a landed cost.
- When the **Country** is not specified and the **Scheme Base** is set to **Goods**, this session can be used to link scheme codes at a global level (for all countries) based on landed cost type where transaction is for a landed cost.
- When the **Country** is specified and the **Scheme Base** is set to **Services**, this session can be used to link scheme codes for a country based on landed cost type where transaction is for a landed cost.
- When the **Country** is not specified and the **Scheme Base** is set to **Services**, this session can be used to link scheme codes at a global level (for all countries) based on landed cost type where transaction is for a landed cost.

Note: This session can be accessed only when company is of type 'Both' or 'Logistic'.

Scheme code for Subcontracting purchase order

A subcontracting purchase order is created to subcontract either a specific operation or the complete item. Infor LN considers 'VAT Based On' (Goods or Services) value based on the nature of the item and not on the subcontracting activity. Hence, subcontracting purchase orders are treated as 'Goods'. However, subcontracting is about purchasing service on the item and not the item itself, therefore, some countries consider this as Service. So, the scheme code must represent the service being provided.

To map a subcontracting purchase order to scheme base service, in **Item - Purchase**, VAT Based on under Item Subcontracting must be set to **Service**.

Classification Scheme code for Service

When an item is serviced in a depot or an engineer repairs the item at a location, an invoice is issued to the customer (if applicable). This invoice is for the service performed on the item and the scheme code specified on the invoice must be of the type Service. The same is the case with service call or service contracts.

The exception is for part delivery and part receipt where an item is supplied (sale) to a customer or received (purchase). For customer claims, if the item is being reimbursed, invoice is not created. If the costs are being reimbursed, a credit note is generated. For Service, the default value of VAT Based On is Services, However, you can change this value. For part delivery and part receipt the value is always set to Goods and you cannot modify the value.

Classification Scheme code for Project

The classification schemes in Project is based on the project invoicing. The project invoicing can be of these types:

- **Contract Deliverables:** Contract deliverables are item based and hence can be considered as similar to sales. A contract deliverable always contains item and so the scheme code is retrieved from the **Items (tcibd0501m000)** session.
- **Installment / Progress / Unit Rate:** These invoices are not item based. Invoicing is done when an activity or milestone or element is completed. Generally, a scheme code is applied for an entire contract. However, there can be exceptions where few elements or activities may have scheme code different than the

contract line. Business sector, Category, Activity and Element are attributes identified using which the classification code can be mapped for these requirements.

- **Cost Plus:** For cost-plus invoicing, all types of costs can be invoiced to the customer. This may include labor such as project management and technical consulting, or sundry costs such as travel and hotel stay, or sometimes overheads are also charged to the customer apart from items, hired equipment and subcontracting. These invoices are expected to contain respective scheme code details. Equipment and subcontracting along with item are part of Item master, so scheme code related to these must be defined in the **Classifications for Items (tccls1100m000)** session. Scheme code for Labor, Sundry and Overhead costs must be defined in the **Classifications for Project (tccls1130m000)** session.

Classification Scheme code for Financials

Buyer of goods or services receives invoice for the goods purchased or services received. This invoice contains scheme code mentioned by supplier of goods or service provider. The scheme code is retrieved in Financials based on these categories:

- Invoice related to a logistic order
- Invoice not related to a logistic order

Invoice related to a logistic order

Type of invoices that are in this category are:

- Invoice related to purchase orders
- Invoice related to landed costs
- Invoice related to freight orders

For all these transactions, scheme code can be determined based on logistic information like Item, Landed Cost Type, Transport Means etc. This information is used (in logistic transactions), to determine scheme code during invoice matching process. User can modify the scheme code of matched line. This modification is allowed till invoice is approved.

Invoice not related to a logistic order

Types of invoices in this category are:

- Cost invoices
- Cash Journals
- Journal Vouchers
- Advance payment and receipt

For financial transactions, business partner, ledger account can be used to map the transaction to a scheme code.

Classification Scheme code for Freight

For freight expenses, the service provider invoices the supplier of goods and generates a purchase invoice. Similarly, the supplier of goods can invoice the customer for the freight expenses. Since the invoice is related to freight service, the scheme code on the invoice must be of type Service.

Freight scheme code is based on transport categories such as, rail, road, water air and so on. These categories can be linked to the Freight attributes in the **Classifications for Freight (tccls1140m000)** session. Hence, these attributes are used for classification code mapping and scheme base is considered as Service.

Classification Scheme code for Intercompany Trade

Mapping of scheme base for intercompany trade transactions:

Scenario	Classification Scheme Code
Freight	Freight (services)
External Material Delivery Sales	Item (goods)
External Material Delivery Purchase	Item (goods, or services in case of subcontracting)
External Material Direct Delivery	Item (goods)
Internal Material Delivery	Item (goods)
WIP Transfer	Item (goods)
PCS Delivery	Item (services)
Subcontracting Depot Repair (only cost type material and subcontracting)	Item (goods or services)
Subcontracting Depot Repair (not cost type material and not cost type subcontracting)	Service (goods or services)
Labor (related to Service or Maintenance)	Service (services)
Labor (related to TP Project)	Project (services)
Expenses (related to TP Project)	Project (services)
Labor (related to production, assembly, pcs project, repetitive, general)	Intercompany Trade (services)
Expenses (general)	Intercompany Trade (services)

Chapter 4: Procedure to determine the classification scheme code

- 1 Determine the appropriate scheme code defined in the **Classification Parameters (tccls0100m000)** session or the **Classification Parameters by Country (tccls0101m000)** session.

Infor LN uses this search sequence to determine the scheme code:

- a Infor LN checks if classification scheme is implemented in the **Classification Parameters (tccls0100m000)** session. Else, the HS code linked to the item is considered.
- b Infor LN checks if the country specific parameters are defined in the **Classification Parameters by Country (tccls0101m000)** session.
 - 1 The country for which the parameters are defined is considered as the tax country. LN always considers these parameters defined at the country level (the tax country of the transaction).
 - 2 The tax date is used to search and retrieve the scheme code effective for the transaction.
 - 3 Infor LN uses a mapping priority to determine the scheme code. For the given combination, the transaction record with lowest priority number has the highest priority. If matching code is not found in lowest priorities, next priority must be considered. This search must be repeated for all the priorities.
 - 4 If the scheme code is identified, the search process is considered complete. If scheme code is not found, the search must be repeated without specifying the country (global).

- 2 Search for code based on attributes.

Infor LN searches the scheme code based on the attributes of the transaction.

- a If the item is available for a transaction:
 - 1 Infor LN checks if VAT is based on the value that is mapped to the scheme base using these methods:
 - a If the scheme base is related to goods, the scheme code can vary based on the business partner of the transaction (both sales and purchase). In such a case, Infor LN checks for a special scheme code based on the business partner (sold to, ship to, buy from or ship from). The combination of the Country, Classification scheme, Scheme base and the Business Partner Role, is used to determine the scheme code for the Item.
 - b If the scheme code is not found using the above method, the search is performed at the item level. Infor LN uses the combination of the Country, Classification scheme, and the Scheme base, to determine the required scheme code for the item.
 - c If the scheme code is not found using the above method and if the Use Item HS Code as Default (Goods) is selected in the **Classification Parameters (tccls0100m000)** session, the HS code linked to the item in the **Item (tcibd0501m100)** session is considered.
 - 2 If the Scheme Base field is set to Services in the classification scheme sessions, the search process must be based on the combination of the Country, Classification scheme, and the Scheme base

to determine the scheme code of the item. If the scheme code is not found using this step and if the Use Item HS Code as Default (Services) is selected in the **Classification Parameters (tccls0100m000)** session, the HS code linked to the item is considered.

- b** If the Item is not available on the transaction, the search must be based on these non-item related attributes. Infor LN searches the scheme code based on the order origin of the transaction. The remaining attributes are related to Service, Project, Freight, Intercompany Trade, Landed cost and Financials. Attributes for each of these origins are different. Hence, apart from the combination of the Country, Classification scheme and Scheme base, Origin must be also considered to determine the scheme code. When the attributes are shared across different companies, the business object company is not considered. For Financials, the company for financial origins must be considered.

Note: There is no impact on transactions till billable lines are created. Scheme base, Scheme, Scheme code is determined during billable line creating using above logic. However, user can modify the same if the user has authorizations to modify the tax code. Scheme and scheme code are mandatory for all billable lines if the Use Classification Scheme check box is selected in the **Classification Parameters (tccls0100m000)**.