



# Avalara AvaTax for Microsoft Dynamics 365 for Finance and Operations

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## Test Drive

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# Introduction

Thank you for trying the Avalara AvaTax for Microsoft Dynamics 365 for Finance and Operations Test Drive through Microsoft AppSource. This guide is intended walk you through the basics for using Avalara to manage sales tax compliance within Microsoft Dynamics 365 for Finance and Operations. With the powerful combination of Avalara AvaTax and Dynamics 365 for Finance and Operations you can manage:

- Sales tax calculation on sales transactions
- Consumer Use tax calculation on Vendor Invoices
- VAT and GST compliance
- Exemption certificates
- And the filing and remittance of sales tax returns

Feel free to skip to the sections that interest you the most or go through each section in detail. Contact us with any questions at [microsoft@avalara.com](mailto:microsoft@avalara.com). Our sales team would love to hear from you!

## Setting up AvaTax

### Initial Configuration

When Avalara AvaTax for Microsoft Dynamics 365 for Finance and Operations connector is installed, the first step is to link your Avalara AvaTax account to Dynamics 365 for Finance and Operations. The AvaTax Setup Assistant is used for this initial configuration.

Dynamics 365 ▾ Finance and Operations Avalara AvaTax > Setup > AvaTax Setup Assistant

AVALARA SETUP ASSISTANT

Avalara account credentials

Enable your system to communicate with AvaTax by providing the following

Account Number 2000273730	Verify Credentials	Note: Contact your AvaTax account administrator if you do not have your account number and license key.
License Key .....	Edit Settings	Company code D365EE
Web service URL Sandbox ▾	Verified On 10/22/2018 10:17:58 PM	Note: The Company code selected here must match the code created by AvaTax account administrator on Avalara AvaTax Dashboard. <a href="#">Learn more</a>

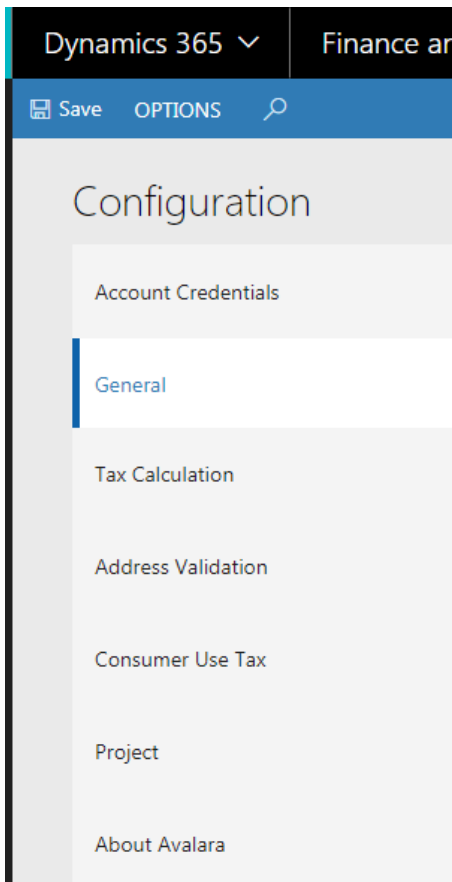
For the test drive this work has been completed on your behalf. In addition, an Avalara AvaTax Tax Profile has been configured. A Tax profile consists of your company information and where you are required to collect and remit sales tax (nexus).

### Ongoing Configuration and Maintenance

Once the AvaTax Setup Assistant is completed, you can adjust your connector configuration settings through the AvaTax Module within Dynamics 365.

To view the configuration:

1. Go to Modules > Avalara AvaTax > Setup > Configuration Setting
2. Click on each section on the left-hand side to view the configuration settings



For more detail on all configuration settings check out the Avalara Help Center:

[https://help.avalara.com/001\\_Avalara\\_AvaTax/Find\\_Your\\_Home\\_Page/AvaTax\\_Update\\_for\\_Microsoft\\_Dynamics\\_365\\_for\\_Finance\\_and\\_Operations](https://help.avalara.com/001_Avalara_AvaTax/Find_Your_Home_Page/AvaTax_Update_for_Microsoft_Dynamics_365_for_Finance_and_Operations)

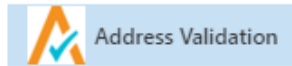
## Avalara Address Validation

Sales tax calculation starts with an accurate address. Avalara validates and converts addresses within Dynamics 365 to standardized US postal service addresses. While not necessary to have a full address to calculate tax with AvaTax, a validated address ensures accurate calculation of sales taxes based on the specific address, as opposed to a broad – and often inaccurate – ZIP Code calculation. And there's no doubt that an accurate address also improves product shipment deliverability.

To validate an Address:

1. Go to a customer account
  1. Accounts Receivable > Customers > All Customers
  2. Choose US-001
  3. In the address section, select Add to create a new address

4. Enter an address name or description and type in the address
5. As an example, you can enter  
255 King St  
Seattle, WA 98101
6. Select the address validation button:



7. Once selected you will see both the entered address and the validated address:

### Address Validation

INPUT ADDRESS	VALIDATED ADDRESS
Country/region USA	Country/region USA
ZIP/postal code 98101	ZIP/postal code 98104-2832
Street 255 s king st	Street 255 S King St
City Seattle	City Seattle
State WA	State WA
County KING	County KING
Address 255 s king st Seattle, WA 98101 USA	Address 255 S King St Seattle, WA 98104-2832 USA

In this example, the validation adjusts the postal code.

8. At the bottom of the screen, select Accept to correct the address on the customer.
9. Select OK and you will see the address has been updated onto the customer address record.

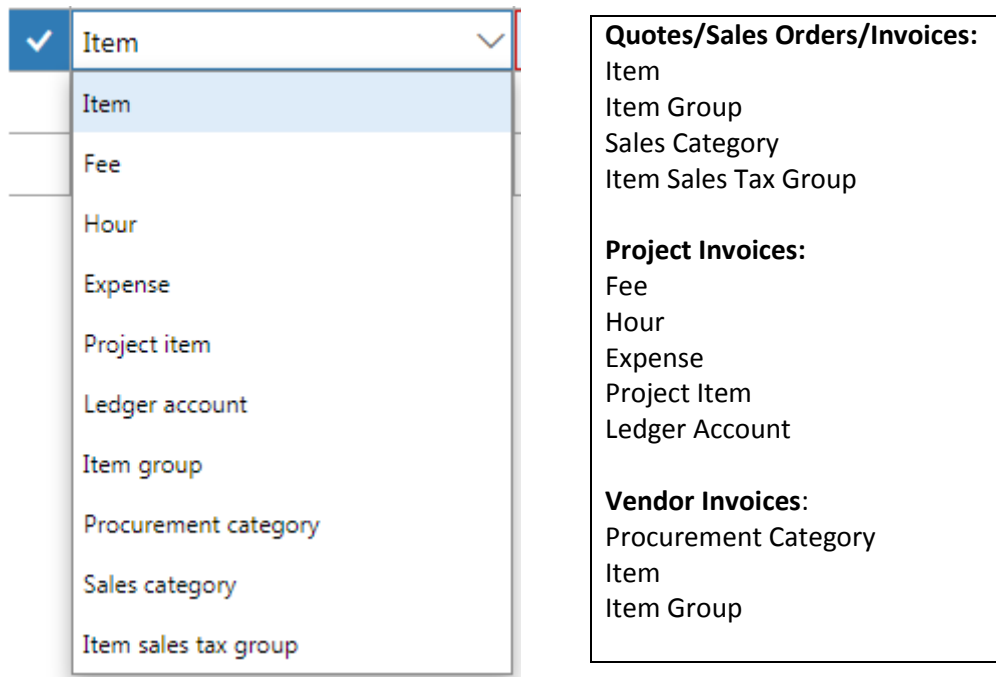
## Sales Tax Calculation

### Avalara Tax Codes

The way AvaTax manages ever-changing tax rules is through an association made right inside of Dynamics 365 Finance and Operations whereby the products and services you sell are associated to an

Avalara Tax Code. These codes contain all the logic and rules that govern how the items you sell are taxed in any jurisdiction where you have an obligation to collect, report, and remit. A full list of our tax codes for goods and services is located at <https://taxcode.avatax.avalara.com/>.

There are various ways to associate a tax code to the goods and services that you sell within Dynamics 365 for Finance and Operations. This allows flexibility to use what works best for your specific business processes. On the left is the full list of associations available and on the right, is what we see typically used for each process flow:



To associate an Avalara tax code to your goods and services:

1. Go to the Avalara AvaTax Utilities
  1. Avalara AvaTax > Utilities > Tax Code Mapping
  2. Select New to create a new association of a tax code
  3. Select the type of association (Document Type), the data element to map (Item/Category/Account), and then enter in a tax code from the list of Avalara codes available.

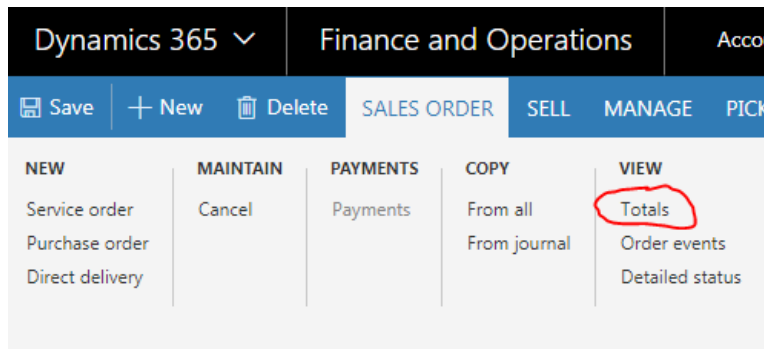
## Sales Orders

Now that we have a taxable customer and an item associated with a tax code, you can enter a sales order and use those values to see tax calculation by AvaTax.

To create a sales order:

1. Go to the sales order entry screen
  1. Accounts Receivable > Orders > All Sales Orders

2. Select New to create an order
3. Enter the customer account US-001
4. Feel free to change the delivery address to test a jurisdiction you would like to test. In this instance of AvaTax, we have selected to calculate tax in all jurisdictions in the United States and Canada. We also support VAT in many countries, contact [microsoft@avalara.com](mailto:microsoft@avalara.com) to learn more!
5. Select OK
6. In Sales order lines, select an item such as Item number 1000. Be sure to enter a Unit price.
7. To see the tax summary, in the Sales Order tab hit View > Totals



8. You will see the Avalara calculated tax in the Sales Tax section as seen here:

### Totals

Calculation basis ^

Selection

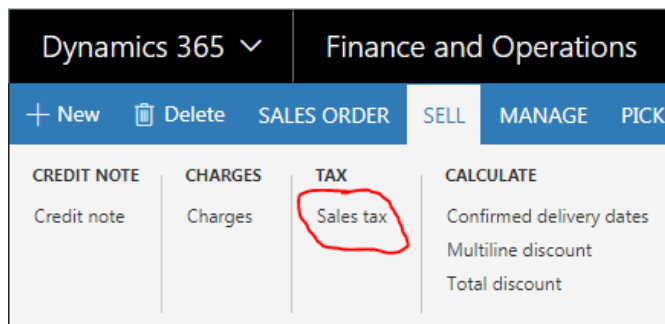
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Sales order totals ^

<p><b>TOTALS</b></p> <p>Currency  <input type="text" value="USD"/></p> <p>Exchange rate  <input type="text" value="1.0000000000000000"/></p> <p>Line discount  <input type="text" value="0.00"/></p> <p>Subtotal amount  <input type="text" value="500.00"/></p> <p>Total discount  <input type="text" value="0.00"/></p> <p>Cash discount  <input type="text" value="0.00"/></p> <p>Total charges  <input type="text" value="0.00"/></p> <p><b>Sales tax</b>  <input type="text" value="38.75"/></p> <p>Round-off  <input type="text" value="0.00"/></p> <p>Total coupon amount  <input type="text" value="0.00"/></p>	<p><b>CUSTOMER</b></p> <p>Credit limit  <input type="text" value="500,000.00"/></p> <p>Credit available  <input type="text" value="457,064.92"/></p> <p><b>GENERAL LEDGER</b></p> <p>Cost value  <input type="text" value="899.00"/></p> <p>Margin  <input type="text" value="-399.00"/></p> <p>Contribution ratio  <input type="text" value="-79.80"/></p> <p><b>MEASUREMENTS</b></p> <p>Quantity  <input type="text" value="1.00"/></p> <p>Weight  <input type="text" value="0.00"/></p> <p>CW quantity  <input type="text" value=""/></p> <p>Volume  <input type="text" value=""/></p>
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9. Select OK.

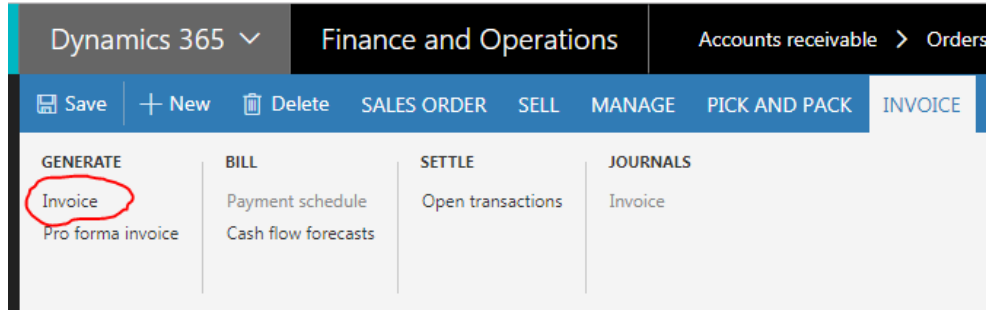
10. In the Sell Tab, you can also select Tax > Sales Tax to see the details of the taxes per line:



11. Select OK.

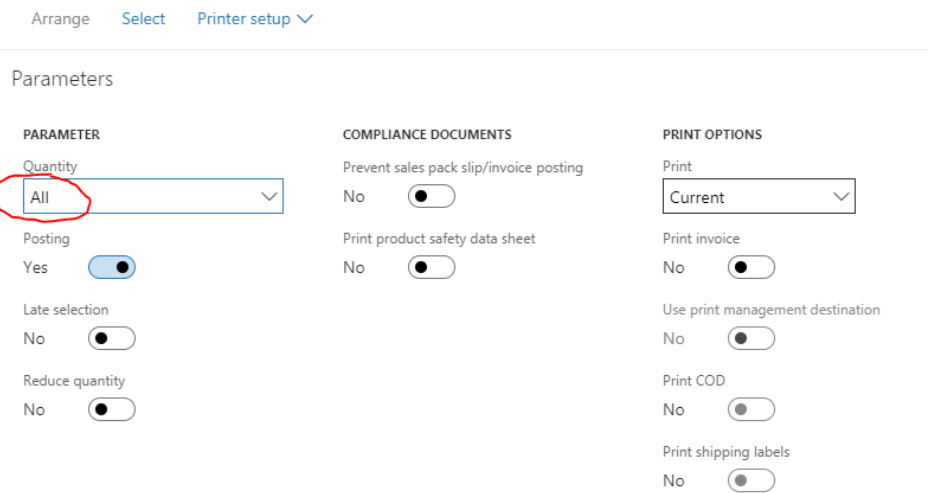
12. Generate the invoice and post.





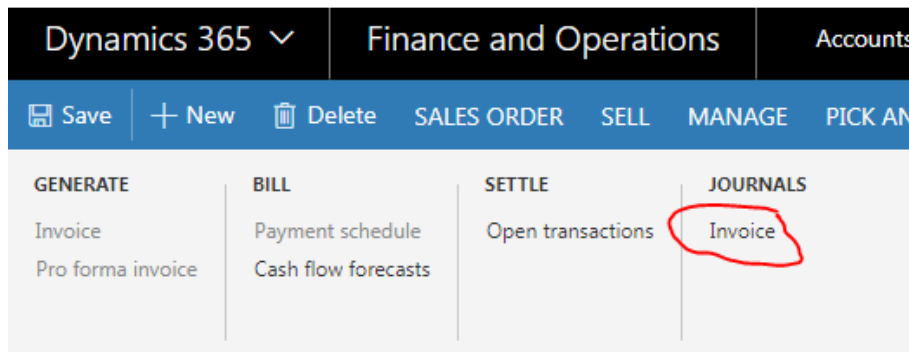
13. Be sure select 'All' in the Parameters section to fully invoice the order.

### Posting invoice

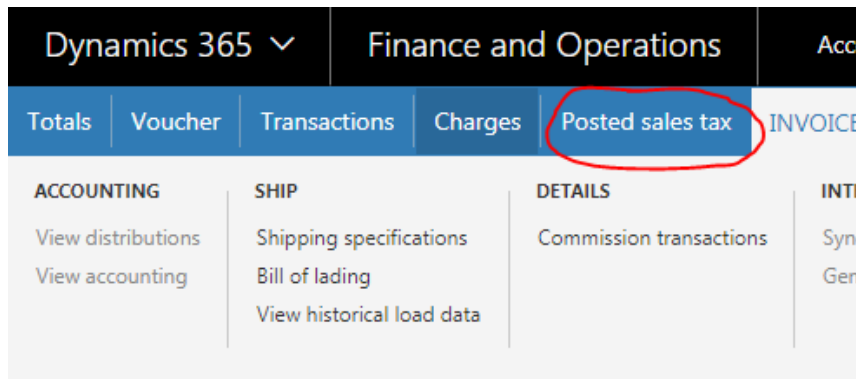


14. Select ok and your invoice is posted to AvaTax and to Dynamics 365.

15. To view the invoice, in the Invoice Tab select Journals > Invoice.



16. You can see the posted sales tax by selecting Posted Sales Tax:



17. You will see the breakdown of the taxes by jurisdiction:

Dynamics 365 Finance and Operations Accounts receivable > Orders > All sales orders

View accounting OPTIONS

CIV-0000751 : US-001  
Posted sales tax

Overview General Amount History

✓ Voucher ↑	Date	Source	Sales tax code	Sales tax direction	Transaction curr...	Amount origin	Calculated sales...	Actual sales tax ...
INV-10000750	10/15/2018	Sales order	State	Sales tax payable	USD	500.00	30.00	30.00
INV-10000750	10/15/2018	Sales order	Special3	Sales tax payable	USD	500.00	0.00	0.00
INV-10000750	10/15/2018	Sales order	Special2	Sales tax payable	USD	500.00	5.00	5.00
INV-10000750	10/15/2018	Sales order	Special1	Sales tax payable	USD	500.00	2.50	2.50
INV-10000750	10/15/2018	Sales order	County	Sales tax payable	USD	500.00	1.25	1.25
INV-10000750	10/15/2018	Sales order	Country	Sales tax payable	USD	500.00	0.00	0.00
INV-10000750	10/15/2018	Sales order	City	Sales tax payable	USD	500.00	0.00	0.00

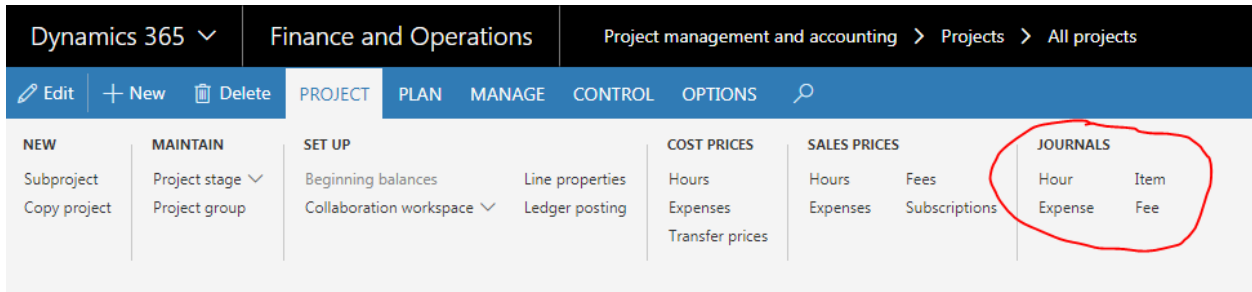
## Project Invoices

If you are using the project module, you can also calculate tax on your invoices generated from Projects.

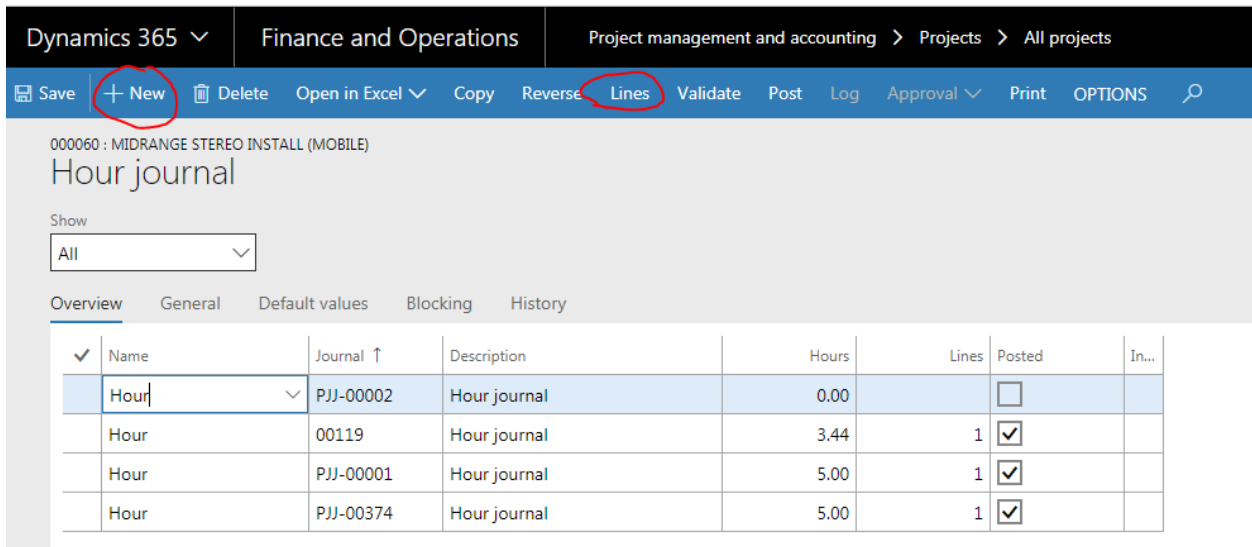
To create a project invoice:

1. Go to a project

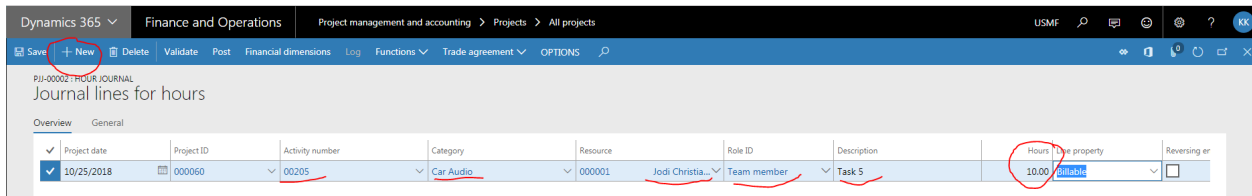
1. Project management and accounting > Projects > All Projects
2. Choose project 000060. This project has been configured as Time and Materials and is associated to Contract 000060 and customer account US-026
3. Select the type of journal(s) to create for invoicing.
  1. On the project select the Journals you would like to create for billing:



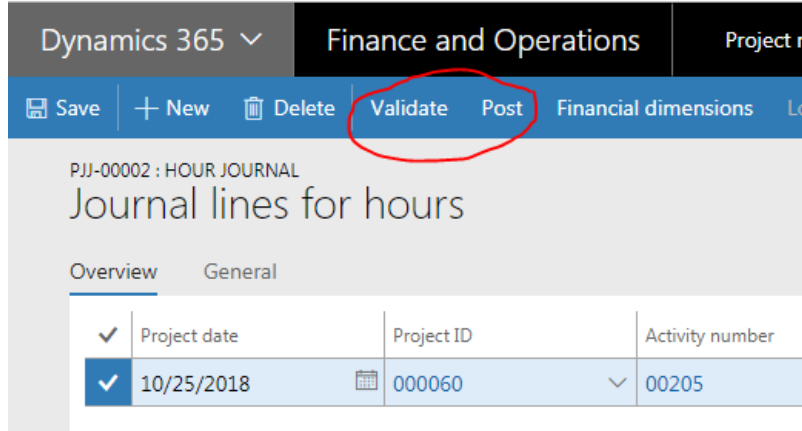
2. To bill project hours, select Hour from the Journals section
3. Once on the Hour Journal screen, select New and then go to the lines:



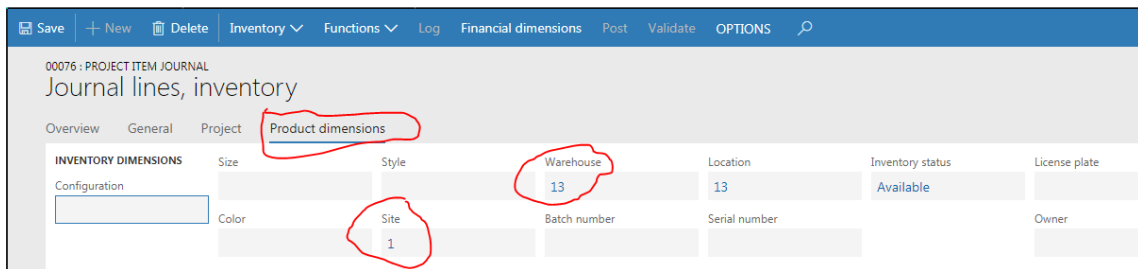
4. Select New and fill in the appropriate data – Jodi Christianson has been selected here as the resource, she has a project billing rate assigned. Be sure to enter the number of hours you would like to bill:



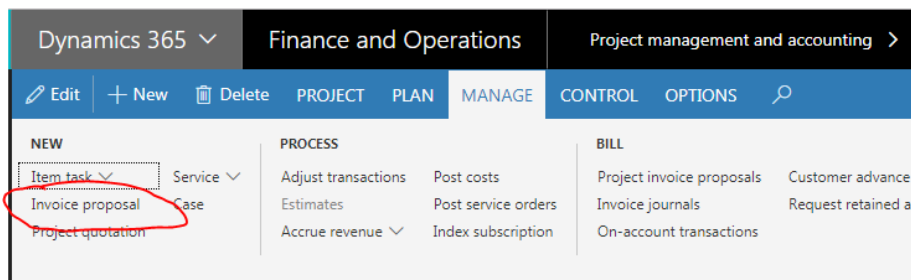
5. You will need to post the journal. Once posted message appears click ok and await the completion message



- 6. Once you have posted, go back to the project and repeat the steps for each Journal Type. For Item Journal, Item number A0001 has been configured with inventory for Site 1, warehouse 13. In the Product dimensions tab of the line, enter the Site and Warehouse before posting



- 7. Let's now create an Invoice Proposal. On the Manage tab of the project, select NEW > Invoice Proposal



- 8. All of the activity from the Journals will appear as lines to billed

## Create invoice proposal

Search [View other transactions](#)

**INVOICE PROPOSAL**      **SELECT TRANSACTIONS**      Include subprojects      Start date

Invoicing method: **Both**      Project contract: 000060      Yes       [Calendar]

Invoice date: 10/25/2018 [Calendar]      Project: 000060      Transaction types: 6 selected      End date: 10/25/2018 [Calendar]

Funding source: **Maple Company**

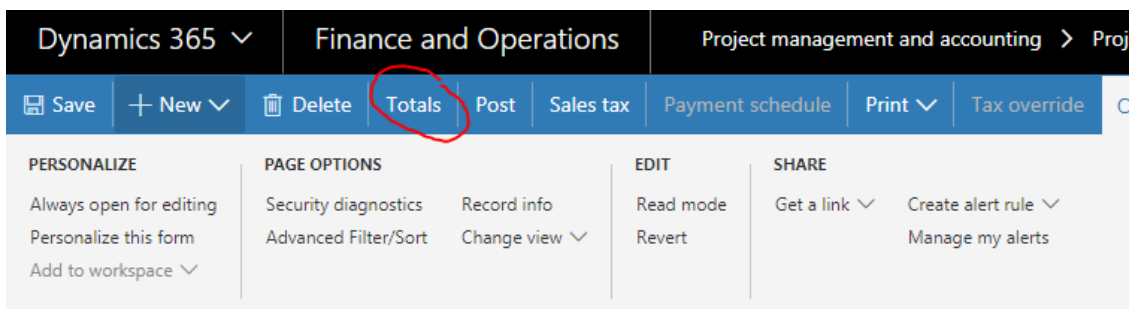
[Project transactions](#)      [Advances and deductions](#)

[Select all](#)      [Clear all](#)      [Review indirect components](#)

Select	Transaction type	Transaction origin	Project ID ↑	Activity
<input checked="" type="checkbox"/>	Expense	Expense journal	000060	00205
<input checked="" type="checkbox"/>	Expense	Expense journal	000060	00205
<input checked="" type="checkbox"/>	Hour	Hour journal	000060	00205
<input checked="" type="checkbox"/>	Item	Item journal	000060	
<input checked="" type="checkbox"/>	Fee	Fee journal	000060	

9. Select OK

10. Click on Totals



11. Sales Tax will be calculated and appear in the native Sales Tax field:

Dynamics 365 Finance and Operations Project management and accounting > Projects > All projects

000198 : 000060  
Totals

ITEM DATA	GENERAL LEDGER	CUSTOMER	Line discount	Cash discount	Net invoice amount
Quantity 11.00	Invoiced amount 4,400.00	Credit limit 100,000.00	0.00	22.00	4,763.01
Weight 33.00	WIP - Invoiced - on-account 0.00	Credit available 91,394.11	Charges 0.00	Subtotal amount 4,400.00	Invoice amount 4,763.01
Volume 176.00	Invoiced revenue 4,400.00	<b>TOTALS</b>	<b>Sales tax</b> 363.01	Invoice amount 4,763.01	Customer retention 0.00
<b>HOOR DATA</b>	Cost amount 632.00	Currency USD	Round-off 0.00	Customer retention 0.00	
Hour - quantity 10.00	Gross margin 3,768.00	1.000000000000			
	Contribution ratio 85.6				

## Consumers Use Tax Assessment

### Vendor Invoices

Avalara can calculate tax on Vendor Invoices, compare vendor charged tax, and accrue consumer use tax that is required to be self-assessed, reported, and remitted to a jurisdiction.

To create a vendor Invoice with a tax self-assessment:

1. Go to Pending Vendor Invoices
  1. Accounts Payable > Invoices > Pending Vendor Invoices
  2. Select New
  3. Enter an Invoice Account, I am using 1001 Acme Office Supplies
  4. Enter an Invoice number, description and Invoice date
  5. Click Add Line and enter an item number from the list

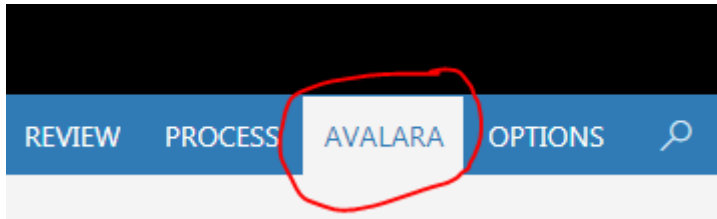
Lines

+ Add line Remove Invoice line

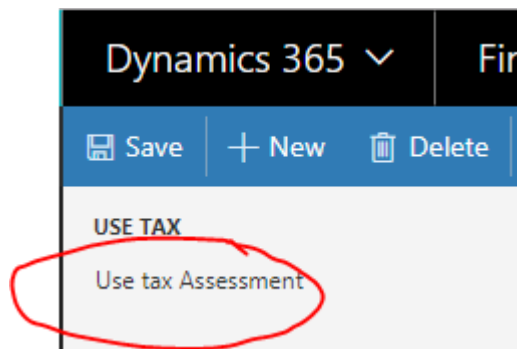
✓	Budget check re...	Item number
		C0001

NOTE: You can also match the vendor invoice to a Purchase Order.

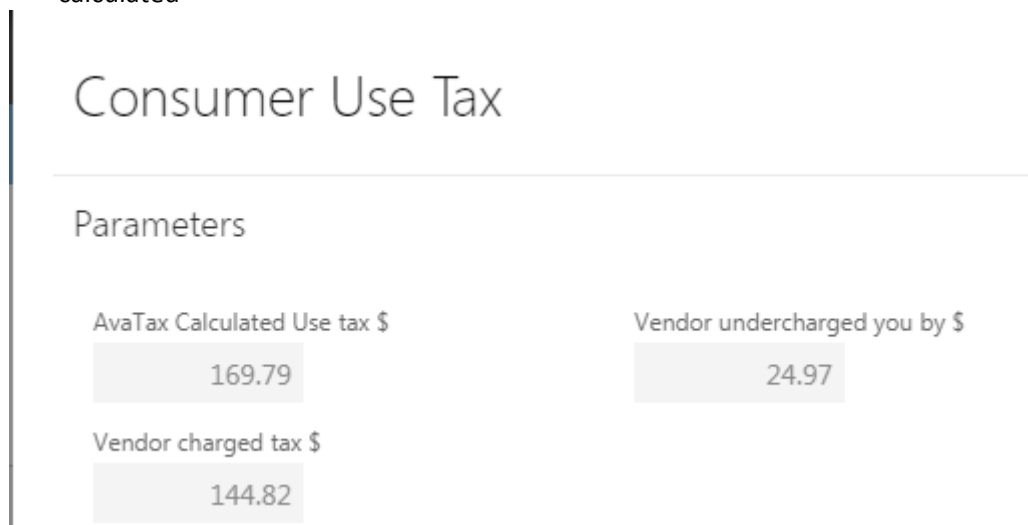
6. Choose the quantity and Unit price
7. You will notice in the menu of tabs there is a section called Avalara:



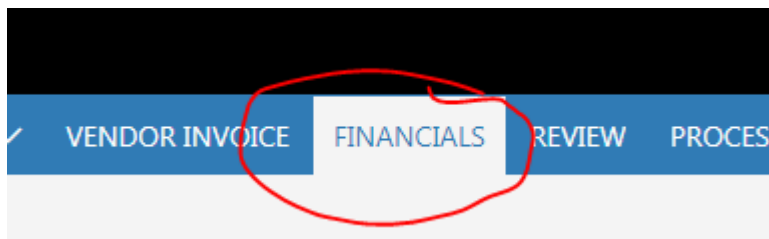
8. Go to the tab and click Use tax Assessment:



9. A pop up screen will appear that shows you what the vendor charged vs what AvaTax has calculated



10. In this case the vendor charged less than what AvaTax calculated. AvaTax will accrue the undercharged amount as a self-assessment and post to AvaTax for reporting.
11. In the event the vendor overcharges tax, AvaTax will prompt with a message however will not consider this to be accrued.
12. To enter the vendor charged tax, you can use the standard tax fields to indicate the amount the vendor has charged. In the Financials section of the invoice:



13. Go to Tax > Sales Tax
14. Check the Override Calculation checkbox and enter the 'actual sales tax amount' charged by the vendor:

### Sales tax transactions

Distribute amounts

Overview    General    Amount    Adjustment

[Apply actual amounts](#)    [Reset actual from calculated amounts](#)

✓	Sales tax code	Currency	Amount origin	Adjusted amou...	Calculated nond...	Actual nondedu...	Calculated sales...	Actual sales tax ...	Override calcula...
✓	AV_CAST	USD	1,997.50	0.00	144.82	135.00	144.82	135.00	<input checked="" type="checkbox"/>

15. Click OK
16. In the Totals, the amount due to the vendor will only include the actual amount.
17. Upon posting the invoice, you will be prompted to accept or reject the Accrual for the self-assessed consumer use tax:

AvaTax Calculated tax: \$169.79 Vendor charged tax: \$135.00 Do you want to accrue: \$34.79, as Self Assessed Use Tax?



18. Click yes to accept and post to AvaTax and the self-assessed use tax to the General Ledger:

00635 : GENURN  
Journal voucher

Display journal lines  
All

List    General    Invoice    Payment    Payment fee    Fixed assets    Remittance    History

+ New    Delete    Voucher    Financial dimensions    Sales tax    Functions

✓	Date	Voucher	Company	Account type	Account	Description	Debit	Credit	Offset company	Offset account type	Offset account
	11/6/2018	GNJL000807	usmf	Ledger	222100--	Accrual for Item: C0001		34.79	usmf	Ledger	618900-001---Consume



## Conclusion

Thank you again for trying the Avalara AvaTax for Microsoft Dynamics 365 for Finance and Operations Test Drive through Microsoft AppSource. We hope that this guide helped to successfully allow you to preview some of the main features of the AvaTax solution with Dynamics 365 for Finance and Operations. For additional information and to contact us please reach out to [microsoft@avalara.com](mailto:microsoft@avalara.com). We look forward to hearing from you!

### Let Avalara be your End-to-end Compliance Solution!

#### Sales & Use Tax Calculation

- Maintains tax rules and rates, eliminating tax research and tax table maintenance
- Uses full address with mapping technology to improve accuracy over ZIP+4 methods
- Integrates with the Accounts Payable module to self-assess consumer use tax

#### Managed Returns Filing

- Manages sales tax prep, filing, payments, and tax notices
- Handles outlet-based returns in states that require them
- Integrates sales from multiple channels on a single tax return

#### Exemption Certificate Management

- Collects, stores, tracks, reports, and analyzes resale certificates
- Provides a simple, integrated customer experience across ecommerce and mobile POS
- Captures certificates by simply snapping a picture with an app on a mobile device

To learn more, visit: <https://www.avalara.com/integrations/dynamics-365.html>

Contact us at [microsoft@avalara.com](mailto:microsoft@avalara.com)