

Change to Standard VAT Rate from 1st Dec 2008

From 1st December 2008, the Standard VAT Rate will change from 17.5% to 15%.

The information and advice below is not definitive and should be read in conjunction with the documentation provided by HMRC at <http://www.hmrc.gov.uk/pbr2008/measure1.htm>

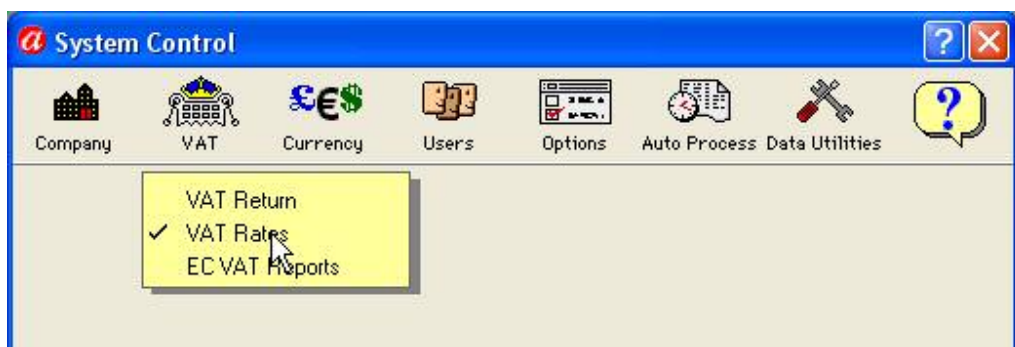
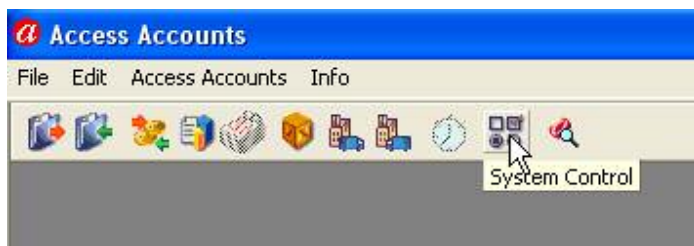
Invoices raised from this 1st December onwards will need to have the new rate applied to them. You may also need to be able to enter in transactions at the old 17.5% rate, in order that you can correctly post older Purchase Invoices into your system, or correctly create Credit Notes for older 17.5% invoices.

Access's recommendation is to change the existing VAT rates that are currently set to 17.5%, to 15%. This change should be made on 1st December before you commence processing.

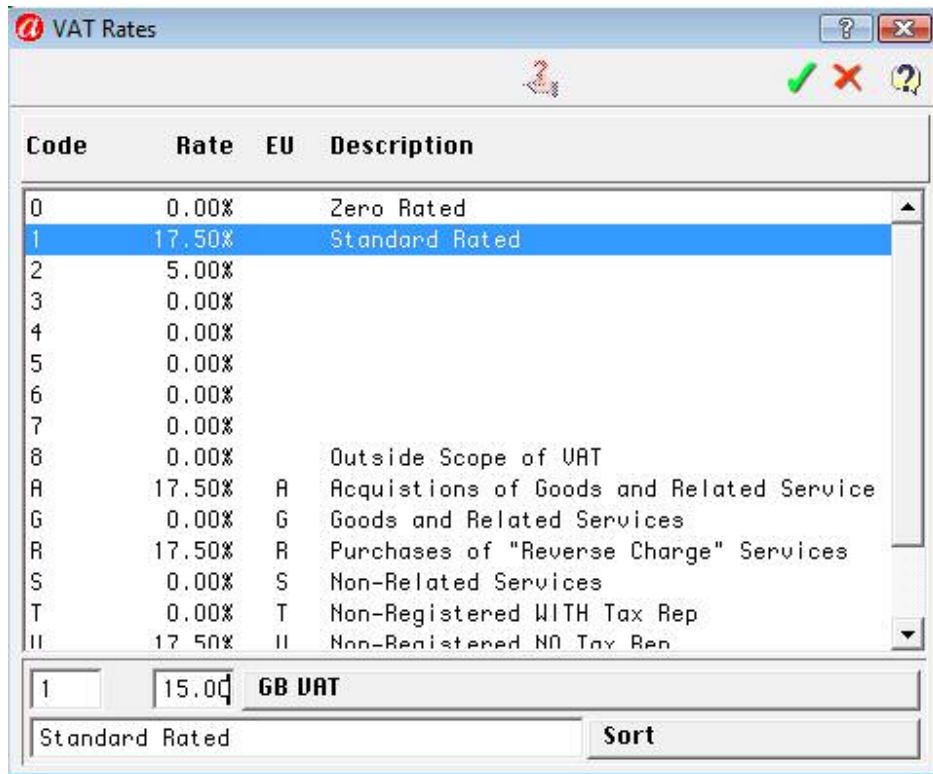
Additionally, where you need to post transactions at the older 17.5% rate then you will need to create a new VAT rate to enable this posting. Full details on this process are detailed below :

Please follow the method below for how to make these changes in **Horizons**.

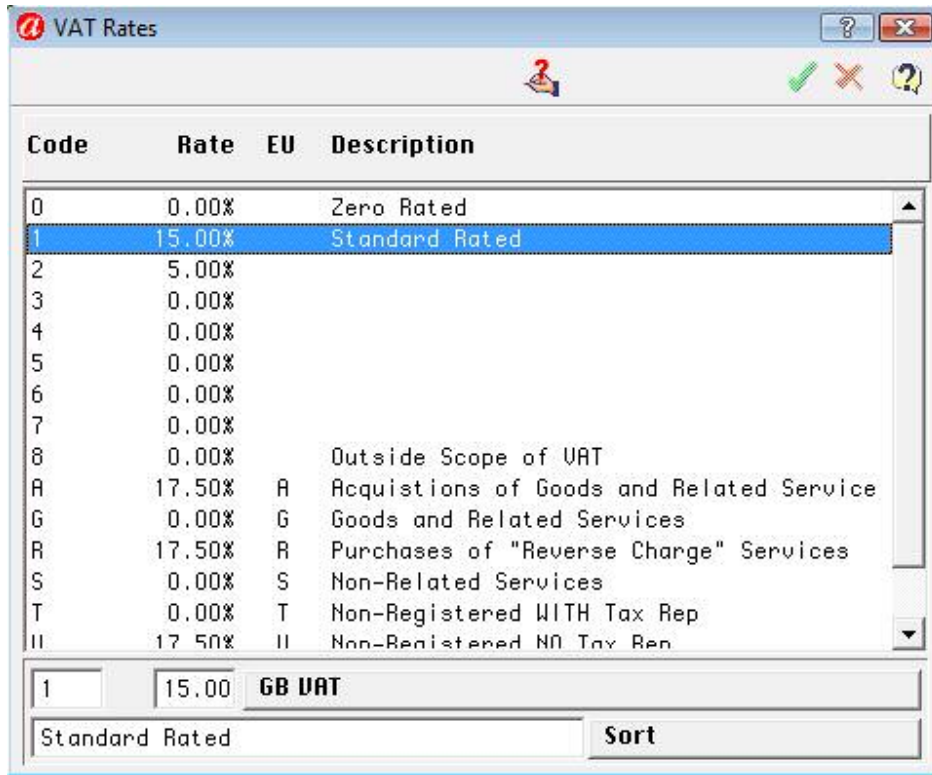
- Invoice all November Sales Invoices before raising Sales Orders or Invoices for December
- On the 1st December or after, Login as a user that has access to System Control e.g. MSTR
- Select System Control/VAT/VAT Rates



- Highlight your existing Standard VAT Rate code, usually 1 and click on Edit as seen below:



At the bottom of the screen you can see the existing VAT rate. Change it to 15.00. The description can still remain as Standard Rated. Click on the green tick to save.



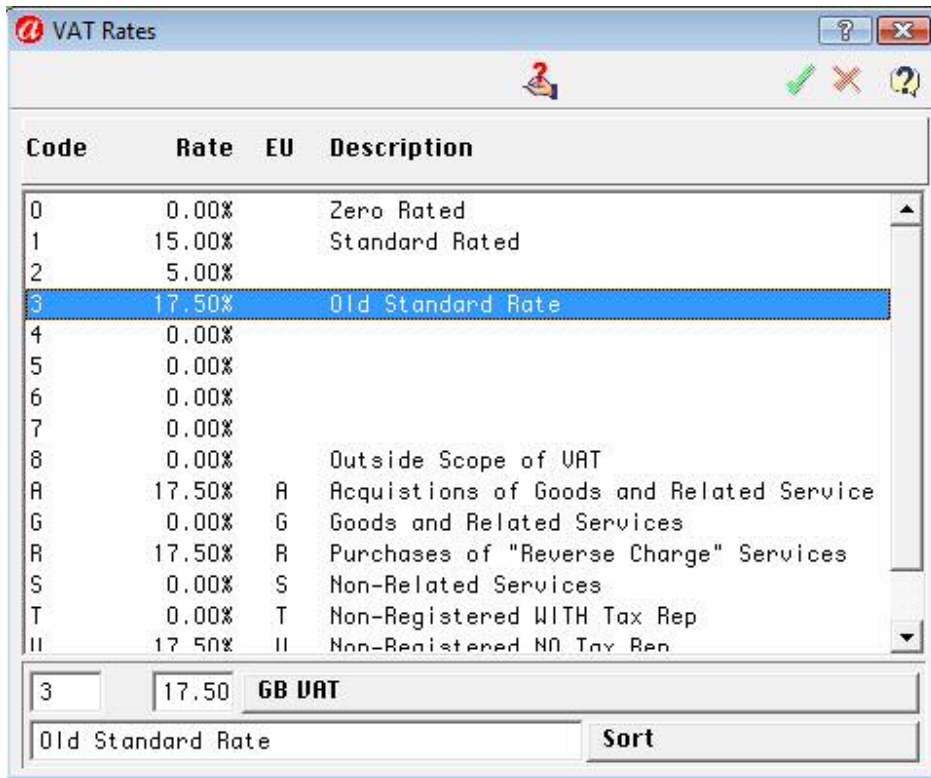
The screenshot shows a window titled "VAT Rates" with a table of VAT rates. The table has columns for Code, Rate, EU, and Description. Row 1 is selected, showing a rate of 15.00% and the description "Standard Rated". Below the table is a summary bar with fields for Code (1), Rate (15.00), and Description (GB VAT). A "Sort" button is also visible.

Code	Rate	EU	Description
0	0.00%		Zero Rated
1	15.00%		Standard Rated
2	5.00%		
3	0.00%		
4	0.00%		
5	0.00%		
6	0.00%		
7	0.00%		
8	0.00%		Outside Scope of VAT
A	17.50%	A	Acquisitions of Goods and Related Service
G	0.00%	G	Goods and Related Services
R	17.50%	R	Purchases of "Reverse Charge" Services
S	0.00%	S	Non-Related Services
T	0.00%	T	Non-Registered WITH Tax Rep
U	17.50%	U	Non-Registered NO Tax Rep

1 | 15.00 | GB VAT

Standard Rated | Sort

- Now highlight a VAT code in the list from 2 to 7 that isn't currently being used. In this case we will select Rate Code 3.
- Click on Edit and change the rate to 17.50. Change the description to "Old Standard Rate".
- Click on green tick to save.



You should end up with a VAT code for 15.00% (VAT Code 1) and a VAT code for the old rate of 17.5% to be used for entering in Invoices from Suppliers that have the old rate and for raising Credit Notes that relate to Invoices with old VAT rate.

Note, if there are already Sales Orders or Purchase Orders in the batch that were entered prior to when you changed the rate on VAT code 1, then they will still have the old VAT value on them. If the Sales Orders should have the new Rate of 15% VAT, then you will need to edit the orders and re-select VAT code from the VAT code list and tab off to recalculate the VAT amount. Save the order once completed.

In relation to Purchase Orders in the batch, if you receive an Invoice from Supplier with 15% VAT and you entered the order with 17.5% VAT, then you will need to edit the PO and re-select VAT code 1 and tab off for the system to re-calculate the VAT amount. Save order once completed.

VAT Code 1 Standard Rate defaulted on Customer and Supplier records

Please be aware that if you defaulted the VAT code 1 on Suppliers Records, then any purchase orders or purchase invoices entered after you have changed the VAT Code 1 rate to 15% will obviously default to 15% VAT. If the Supplier Invoice has 17.5% VAT on it then you will need to select the VAT code that you have setup for the old VAT rate. (in this example above, VAT Code 3 – 17.5%)

Also for Sales Order Credit Notes or Sales Ledger Credit Notes, if you have VAT Code 1 defaulted on Customer records then it will pull in the 15% rate once you change the rate on VAT code 1. If you are raising a Credit Note that relates to an Invoice with the 17.5% rate, then you will need to change the VAT code from VAT code 1 to the VAT code that relates to the 17.5% rate. (eg: VAT Code 3)

If you use any of the other 17.5% codes for EU transactions you will need to apply the same process for each of these codes. If you set up an additional 17.5% code to cater for example, older EU Acquisitions, you will need to create a new code at the bottom of the list. You must ensure that you select the correct category of for EU treatment. In the example below we are creating a code "B" for older EU acquisitions that we will post at 17.5%.

The screenshot shows a window titled "VAT Rates" with a table of VAT codes and rates. The table has columns for Code, Rate, EU, and Description. A new code "B" is being added at the bottom with a rate of 17.50%. A dropdown menu is open for the "EU" column, showing options like "GB VAT", "EC VAT", and "A - Acquisitions of Goods and Related Services".

Code	Rate	EU	Description
3	17.50%		Old Standard Rate
4	0.00%		
5	0.00%		
6	0.00%		
7	0.00%		
8	0.00%		Outside Scope of VAT
A	15.00%	A	Acquisitions of Goods and Related Service
G	0.00%	G	Goods and Related Services
R	17.50%	R	Purchases of "Reverse Charge" Services
S	0.00%	S	Non-Related Services
T	0.00%	T	Non-Registered WITH Tax Rep
U	17.50%	U	Non-Registered NO Tax Rep
U	17.50%		Reverse Charge Goods
	0.00%		

At the bottom of the window, there are input fields for Code, Rate, and EU. The Code field contains "B", the Rate field contains "17.50", and the EU field contains "GB VAT". A dropdown menu is open for the EU field, showing options like "GB VAT", "EC VAT", and "A - Acquisitions of Goods and Related Services".

OTHER ESSENTIAL CONSIDERATIONS AND PROCESSES

Batched Sales Orders

If you use Sales Order Processing you should endeavour to complete as many Sales Orders that are in your sales order batch as possible. Orders that have been created in November, will create more work for you in December as there will be a need to edit and correct the rate of VAT that has been applied. Part-processed orders will be the most challenging to correct as a portion of the value will be at one VAT rate and the residual balance at a different VAT rate. In some cases there may be the need to re-key some data so you should work to minimize the impact of this.

Batched Purchase Orders

You should encourage your suppliers to provide you with all your November invoices as soon as possible, in order that they can be processed in November using the existing 17.5% rate. You should endeavour to clear as many Purchase Invoices from the Purchase Order Processing batch as soon as possible.

Batched Purchase Invoices

You are advised to clear as many of these transactions through the system as possible before the 1st December changeover date. If you post older transactions to the ledgers after the changeover date please ensure that you check the VAT values in case of recalculation.

Batched Sales Invoices

If you are holding any Sales Invoices in a batch for approval these should be processed before 1st December.

Pre-changeover Backup

You should take a backup of your data prior to making the VAT rate changes on 1st December and retain this backup for audit and reference purposes. You should also make a note of your last Nominal Ledger audit number that you used prior to the change.

VAT Return and Audit Trail

Please print off and retain your VAT return figures and your VAT audit trail as at 30th November. Please note that the period that “straddles” the changeover date will include transactions at both 15% and 17.5%, however, the supporting transaction reports will only be able to display the text “15%” when referencing the rate.

Recurring VAT Journals

After 1st December, these will need to be edited by re-selecting the VAT code for each line to pick up the new 15% Vat calculation.

Converting Quotes/Estimates to Orders

Please note that the VAT values taken forward to an order will be the original values calculated when the quotation or estimate was created. The resultant sales order will need to be checked and VAT codes edited if the order was originated prior to 1st December 2008.

Duplicating Orders / Credit Notes

We would advise against using the “Duplicate” function in Sales Order Processing to create new orders or credit notes from sales orders created before 1st December. If you do utilize this facility please take care to check the resultant VAT values.

Copy Sales Invoices and Credit Notes

Please be aware that copies of sale invoices and credit notes are “generated” from the information that is held within Access. Thus future copies of documents will always print the text “15%” against all items at VAT Code 1, even if the VAT actually charged and reported was calculated at 17.5%. If you have emailed invoices and saved the PDF image then this will remain a true copy of the original document. If you require a perfect copy of an older invoice you may need to refer to your pre-changeover database.

Deposits Received

For deposits that have been invoiced and received prior to 30th November you will have the option to credit and re-invoice at the new 15% if the deposit relates to goods and services delivered after 1st December.

Continuous Services

If your company raised a single invoice, at 17.5%, for services delivered over an extended period of time there are special rules that determine whether you should charge at 17.5% or 15%. In some cases you may be obliged to re-invoice at the revised rate. Please refer to HMRC documentation for further guidance on this aspect.

Gross Pricing

Where you serve the consumer market and use Gross prices you may wish to review and amend your pricing in line with the VAT reduction. Access provide facilities within Horizons to globally update prices.

Cash VAT Accounting

Great care will need to be taken when posting receipts under the Cash Vat Accounting scheme. HMRC have confirmed that even if the payment comes in months after 30th November that the rates that must be applied, must be the rate on the original invoice. Thus your operators may have to select between the 15% and 17.5% rates, depending on the date of the original transaction.

Integrated Systems

Where your Access Horizons system is “fed” data from other systems, you will need to run test transactions through to ensure that you are happy with the result. Transactions posted around the changeover date will require careful scrutiny to ensure that the correct VAT rate is being applied.

