

# Change to Standard VAT Rate from 1<sup>st</sup> Dec 2008

From 1<sup>st</sup> 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>

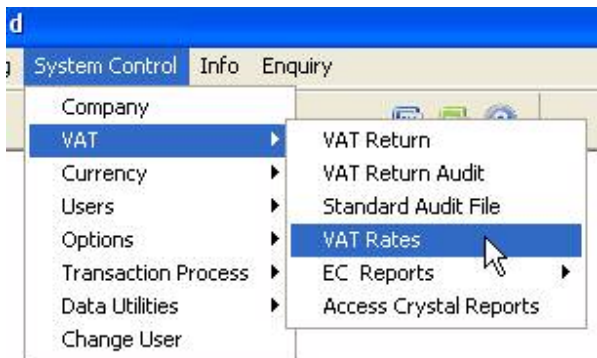
Invoices raised from this 1<sup>st</sup> December onwards will need to have the new rate applied to them. You may also need to be able to enter in transactions at the old 17.5% rate, in order that you can correctly post older Purchase Invoices into your system, or correctly create Credit Notes for older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

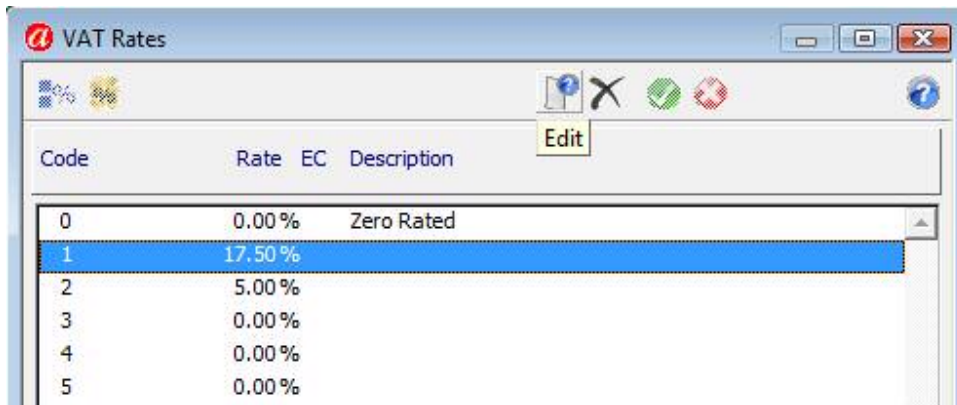
Additionally, where you need to post transactions at the older 17.5% rate then you will need to create a new VAT rate to enable this posting. Full details on this process are detailed below :

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

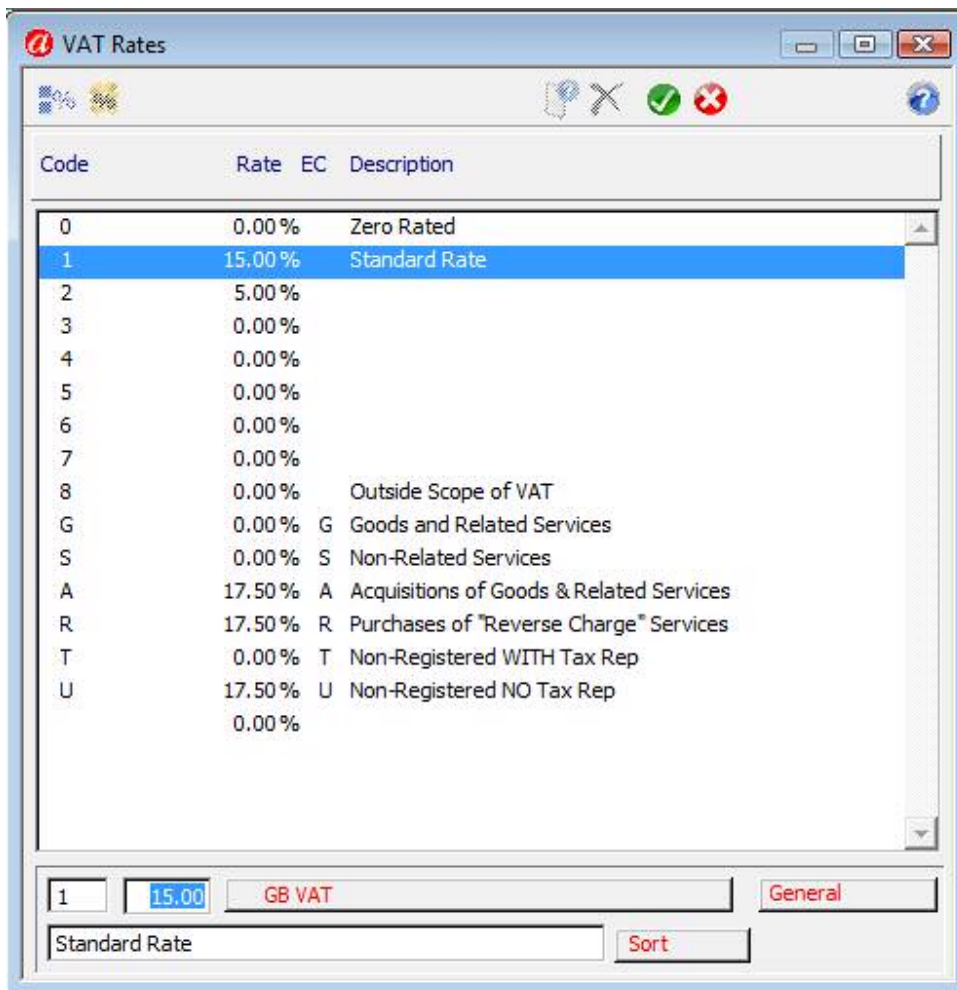
- Invoice all November Sales Invoices before raising Sales Orders or Invoices for December
- On the 1<sup>st</sup> December or after, Login as a user that has access to System Control e.g. sa
- Select System Control/VAT/VAT Rates



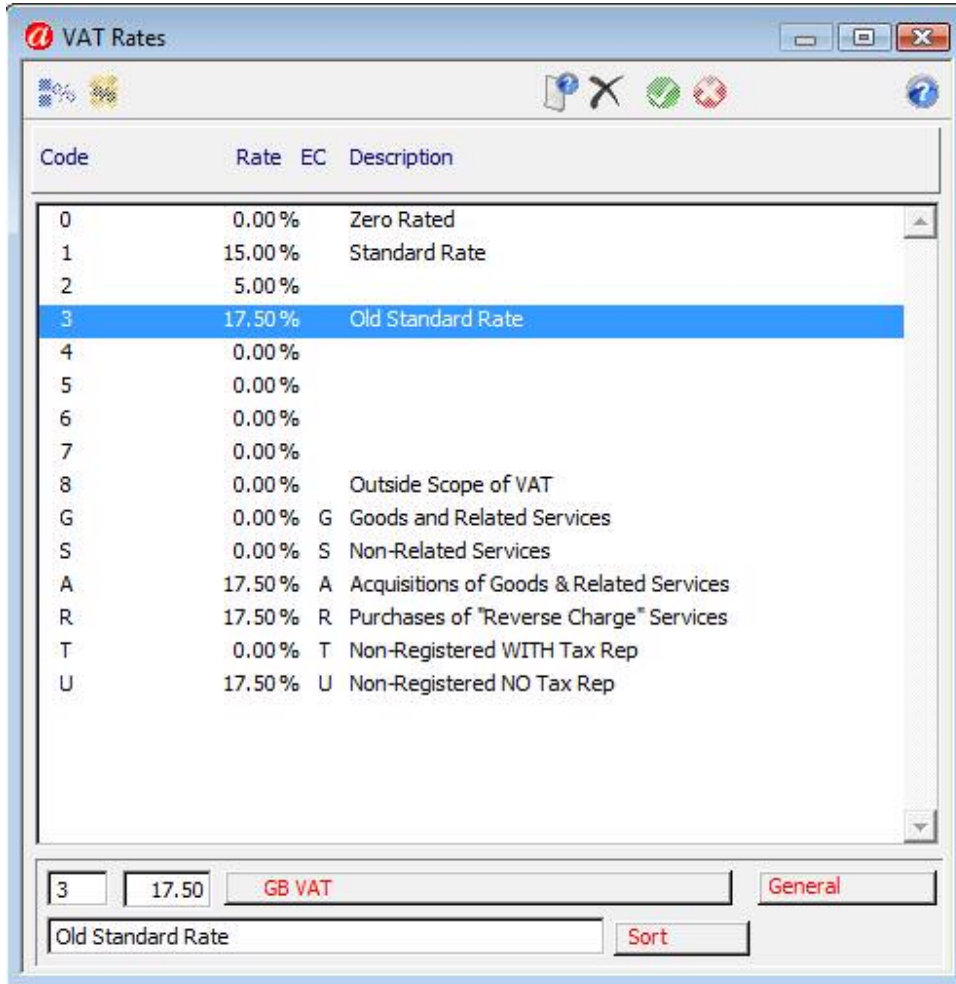
- Highlight your existing Standard VAT Rate code, usually 1 and click on Edit as seen below:



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



- 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 and recalculated value, 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.

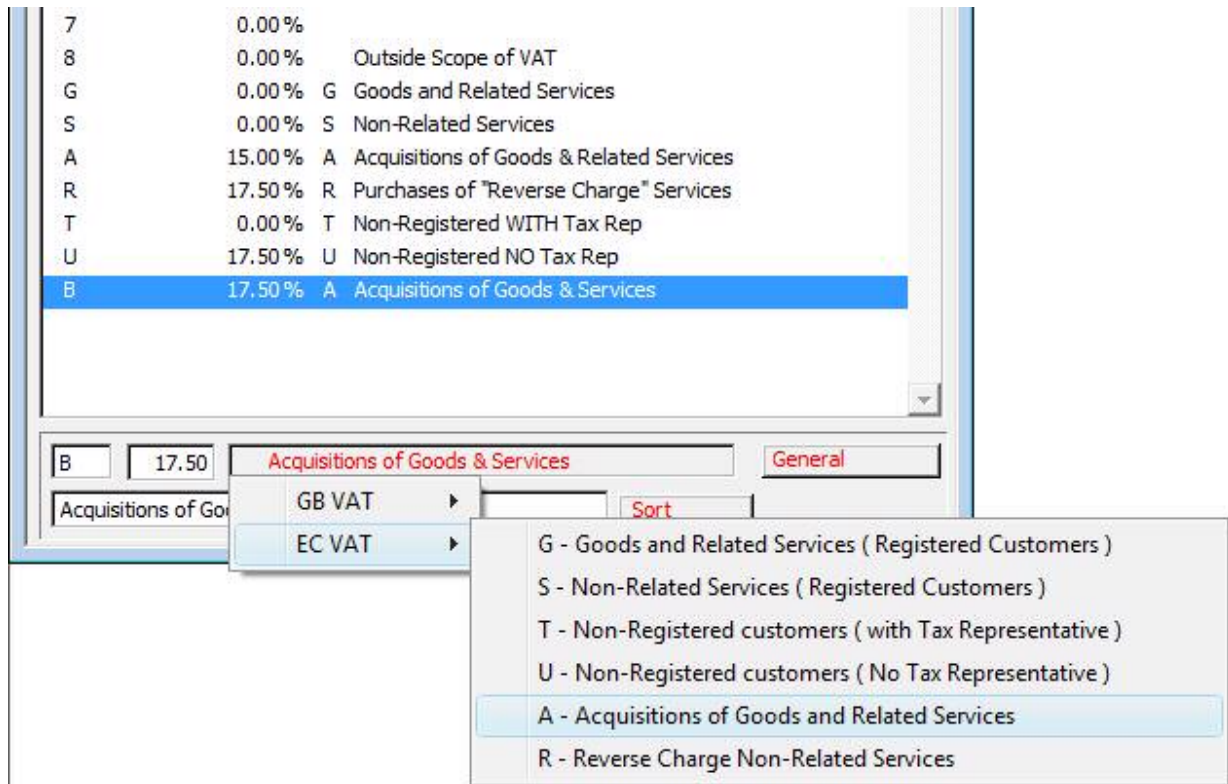
In relation to Purchase Orders in the batch, if you receive an Invoice from Supplier with 15% VAT and you entered the order with 17.5% VAT, then you will need to edit the PO and re-select VAT code 1 and tab off for the system to re-calculate the VAT amount. Save order once completed.

### **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 VAT code for EU treatment. In the example below we are creating a code "B" for older EU acquisitions that we will post at 17.5%.



## **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 and VAT value 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 cases where you have already part-invoiced a line at 17.5%, and need to process the balance at 15%, you can choose to “Close” the line and create a new line for the residual balance. This new line will display “15%” against it but you will need to edit the line and reselect the VAT rate, to recalculate the new VAT value. In some cases there may be the need to re-key some data in order to cater for the VAT rate change. Naturally, the fewer sales orders that are in the batch on 1<sup>st</sup> December the easier it will be to work through this transitional period.

### **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 and Purchase Invoice Register**

You are advised to clear as many of these transactions through the system as possible before the 1<sup>st</sup> 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 1<sup>st</sup> December.

### **Pre-changeover Backup**

You should take a backup of your data prior to making the VAT rate changes on 1<sup>st</sup> 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 30<sup>th</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 30<sup>th</sup> 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 1<sup>st</sup> 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 Dimensions to globally update prices plus tools such as Access Office Integration to assist with this process. Please refer to your Access support provider for more details.

## **Cash VAT Accounting – Guidance Reports**

As these reports rely on a consistent VAT rate their value will be diminished whilst reporting against this changeover period. If reporting using Cash VAT Accounting you will need to ensure that you take into account the necessity to apply the VAT rate at the time of invoice to the subsequent receipt of cash.

## **Integrated Systems**

Where your Access Dimensions 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.