

VAT Rate changes U.K. – 1st January 2010.

1. What has changed.

The Standard rate of Value Added Tax increases from 15.00% to 17.50% on the 1st January 2010 this document outlines the changes required to apply this rate change to your Exchequer system.

2. When should you apply the change.

The change of rate will be driven by the Sales Invoice process. You have to charge the 17.5% rate on sales of standard rated goods & services made on or after 1st January 2010. For those of you who have not completed your Invoicing for December, do not change the existing rate until such time as the Invoicing is complete and before raising January Invoices.

Information regarding 'Tax Point' Date relating to the rules in place for VAT purposes, for determining when a sales takes place (also known as the 'time of supply') and in particular in relation to the '14 day rule', can be found on the HMRC website.

In order to minimise the disruption to your business, you would be advised to Invoice all SOR's/SDN's before 1st January 2010 to charge 15% and ensure a smoother transition to the new rate.

3. What changes do you need to make.

You will need to change the standard VAT rate from 15% to the new rate of 17.5% and create a new temporary VAT rate for any transactions that still are charged at the 15% rate.

To change the default standard rate you will need to access the 'Set VAT Rates' option from the 'Utilities' menu, 'VAT Setup'.

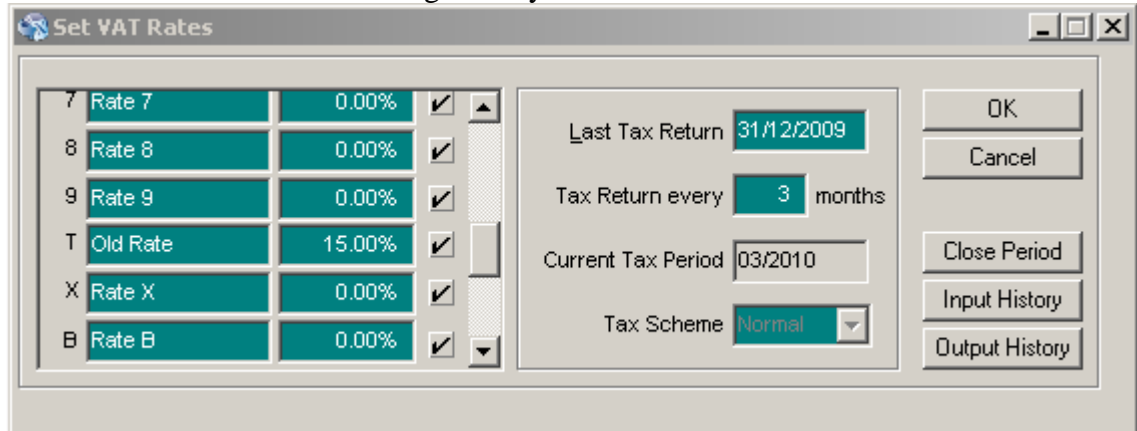
Code	Description	Rate	Goods
S	Standard	17.50%	<input checked="" type="checkbox"/>
E	Exempt	0.00%	<input type="checkbox"/>
Z	Zero Rte	0.00%	<input checked="" type="checkbox"/>
1	Rate 1	0.00%	<input checked="" type="checkbox"/>
2	Old Rate	15.00%	<input checked="" type="checkbox"/>

Last Tax Return: 31/12/2009
Tax Return every: 3 months
Current Tax Period: 03/2010
Tax Scheme: Normal

Buttons: OK, Cancel, Close Period, Input History, Output History

Click into the 'Rate' box and enter the new VAT rate of 17.5%.

There may be invoices created or received after this rate change which are charged at the old 15% rate. To accommodate this you will need to add a VAT rate of 15% to a spare VAT code. In our example we are using Rate T (temporary) but any spare rate can be used with the exception of rate 3 and rate 4 which are reserved for EC trading activity.



Click on the 'OK' button to store the changes.

All transactions added from this point (including orders, deliveries, invoices) that attract a standard rate of VAT will now be calculated at 17.5%.

4. Existing Orders and Deliveries

In addition existing orders deliveries which attracted the standard rate and were entered pre the VAT change will have the S rate code on the document details and when progressed to Invoice will be calculated at the new 17.5% rate.

As the new rate is applied automatically, care must be taken when deciding which rate should apply (15% or 17.5%) on invoices created and received during the transition period. Where appropriate on 15% invoices you will need to amend the calculated VAT on the invoice footer as the new S rate will be used.



Tick the VAT Content Amended box and then enter the corrected VAT amount.

5. Part Delivered Orders

After applying the VAT rate change, subsequent processing of part delivered Purchase and Sales orders will be automatically calculated at the new system standard rate of 17.5%.

6. Copy/Reverse Transactions

Care must be taken when using the copy transaction feature in Exchequer where copied transactions have been entered prior to the 1st January 2010 as these will initially retain the previous 15% rate of VAT.

Opening the copied/reversed transaction and editing the transaction or choosing 'OK' to store the transaction will recalculate the VAT at the new 17.5% rate.

To maintain the 15% if required, you must take care not to edit the transaction or remember to amend the VAT on the footer as described previously.

7. Auto Transactions

If you use 'Auto' transactions, it is important that all auto transaction lines that use the standard rate of VAT are edited from the Auto Daybooks and stored to force the recalculation of VAT at the new rate of 17.5%.

8. Quotes

SQU and PQU transactions converted straight to Invoice will **not** change the vat amount or rate.

Therefore if a quote has been entered Pre 1st January and converted to Invoice it will stay at 15% until the line is updated by means of clicking ok on it.

Quotes to Orders to Invoice will pick up the new rate

9. Affect on the VAT return

Your VAT return may contain a combination of transactions calculated at both rates for standard items and should not change the way that you prepare the VAT account and complete your VAT return.

Please note: This is in no way a definitive or official HMRC document. It outlines suggested procedural guidelines for Exchequer software. For more details on the implementation of the Vat rules, please seek clarification from the relevant government sources.

Guidance will only be available to customers with a valid Xperience telephone support contract.