Answer Number
22912

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Article type
Hints and Tips

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Line 100 - How to account for the decrease in the standard rate of VAT

Question

From 1 December 2008, the standard rate of Vat will decrease from 17.5% to 15%. This article explains how this change affects Line 100 and what you need to do

Note: the following are not affected by the change in VAT rate:

· Zero-rated goods, for example, basic food stuffs, children's clothing and children's footwear.
· Good and services subject to VAT at the reduced rate of 5%

Note:

We are unable to advise which VAT rate you should apply in specific circumstances. If you are unsure, please confirm the correct VAT rate with HMRC either by phone or by consulting the relevant guidance on the HMRC website, http://www.hmrc.gov.uk

Answer

Testing was performed on Line 100 v7.6 and Line 100 Windows 8.5 and the below applies to these versions.

Important Notice:

We recommend you backup your data directory before implementing the VAT change.
Also that all sales and purchase postings are updated before proceeding.

Change the VAT rate in Line 100

To change the standard rate of VAT you will need to do the following:
· Accounting System Manager
· System Parameters
· Vat Rates
· Select the standard rate tax code and select
· Then edit the vat rate field and enter the rate of 15%

You should edit the EC Standard purchase ledger (PL)Code (Purchases, Goods an related Services) to 15%

To credit an invoice at the old rate

There may be occasions when you need to credit invoices at the old vat rate. If you need to do this, you should create a new tax code at the old rate of VAT. You can do this as follows:
· Accounting System Manager
· System Parameters
· Vat Rates
· Move down to locate an empty field and enter in a relevant tax code number and description
· Tick the option for include in vat return

- Enter rate of 17.5%
- Ensure relevant Input/ Output Nominal Codes and also relevant cost centres

Please note that the EC purchase flag should not be selected.

Entering Late Suppliers Invoices/ Supplier Purchase Orders
1. If you receive an invoice from a supplier that you need to enter at the old rate of VAT, you must manually amend the VAT amount. To do this simply over type the VAT amount with the correct value on the Invoice/ Order entry screen.
2. If you receive an order from a supplier that you need to enter at the old rate of VAT. Ensure when entering the order that you select the relevant tax rate.

Create an invoice at the new rate of VAT
The invoice will post correctly at the rate 15% once the section Change the VAT rate in Line 100

Observations

Existing Sales & Purchase Orders
Existing sales and purchases orders entered into the system can be viewed using the Screen Enquiries option. Caution should be used when selecting to Amend Order once you followed the section "Change the VAT rate in Line 100".

Re-printing invoices & Backup
All invoices re-printed after changing the VAT rate to 15% will print at that rate even if the invoice was originally printed at the 17.5%.
As a workaround we would suggest taking a backup of the data prior to changing the rate and use this backup to access the data via a new company to reprint any historical invoices.

Unposted Invoices through Sales Order Processing (SOP)
Any invoices printed but not posted before you followed the section "Change the VAT rate in Line 100", will be posted at the new rate.

Unposted Invoices through Invoicing
It is advisable to print and post invoices prior to following the section "Change the VAT rate in Line 100".

We are continuing to perform testing, if we discover any additional recommendations we will publish updates on this article.

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