

Important Note from Datafile Software

Place of Supply of Services within the EC

From 1 January 2010 most services provided to business customers will be treated as supplied in the country where the business customer is established, and the business customer will account for VAT under the [reverse charge](#) mechanism. Services provided to non-business customers will still generally be liable to VAT in the country of the supplier.

Unlike the changes in standard VAT rates a program update is required for this change and this update (version F19), available for users on Release 6.2, can be downloaded from our website via a link provided by your reseller.

Configuring Your Datafile System

Updating your VAT Table

A new EC VAT code is required for services that are to apply the reverse charge mechanism. To update your VAT table you need to select the Installation option on your main menu, lock out the system using the 'Lock Out All Systems' option and then select the option VAT tables. Your VAT table should look something similar to the screenshot below:

Code	Title	Rate	Exempt	EC-Tax	UK-Equiv	Reverse-Equiv	EC-Sales
1	S	Standard	N	N			N
2	E	Exempt	Y	N			N
3	Z	Zero-Rated	N	N			N
4	C	EC-Goods	Y	Y	S		N
5	X	EC-Services	Y	Y	Z		N
6	F	Reduced	N	N			N
7	D	Deposits	N	N			N
8	H	Higher-Stnd	N	N			N
9	Y	Higher-EC	Y	Y	H		N
10		0.00	N	N			N

Code for Outside Scope of Reports Reverse VAT Limit 0.00

Action Opt-1 Opt-2 Save Abandon Close

To update the VAT table <Enter> through to the next blank rate and enter the details as:

- Code V
- Title EC-ReVerse
- Rate 0.00

- Exempt Y
- EC-Tax Y
- UK-Equiv (blank)
- Reverse-Equiv S (or normal Standard rate code)
- EC-Sales Y

NB: You may want to change the text for EC-Services to EC-Zero and also set against the EC-Goods line the new EC-Sales flag to 'Y'

Code	Title	Rate	Exempt	EC-Tax	UK-Equiv	Reverse-Equiv	EC-Sales
1 S	Standard	15.00	N	N			N
2 E	Exempt	0.00	Y	N			N
3 Z	Zero-Rated	0.00	N	N			N
4 C	EC-Goods	0.00	Y	Y	S		Y
5 X	EC-Zero	0.00	Y	Y	Z		N
6 F	Reduced	5.00	N	N			N
7 D	Deposits	0.00	N	N			N
8 H	Higher-Stnd	17.50	N	N			N
9 Y	Higher-EC	0.00	Y	Y	H		N
10 V	EC-ReVerse	0.00	Y	Y		S	Y

Code for Outside Scope of Reports Reverse VAT Limit 0.00

Action | Opt-1 | Opt-2 | Save | Abandon | Close

The 'Reverse VAT limit applies for UK Business-2-Business goods transactions such as mobile phones or computer chips and should be left 'as is'.

As you can see we have now extended the VAT table over two screens allowing up to twenty VAT codes to be defined. If need to view the second page select the OPT-2 button at the bottom of the screen otherwise click SAVE to return to the menu.

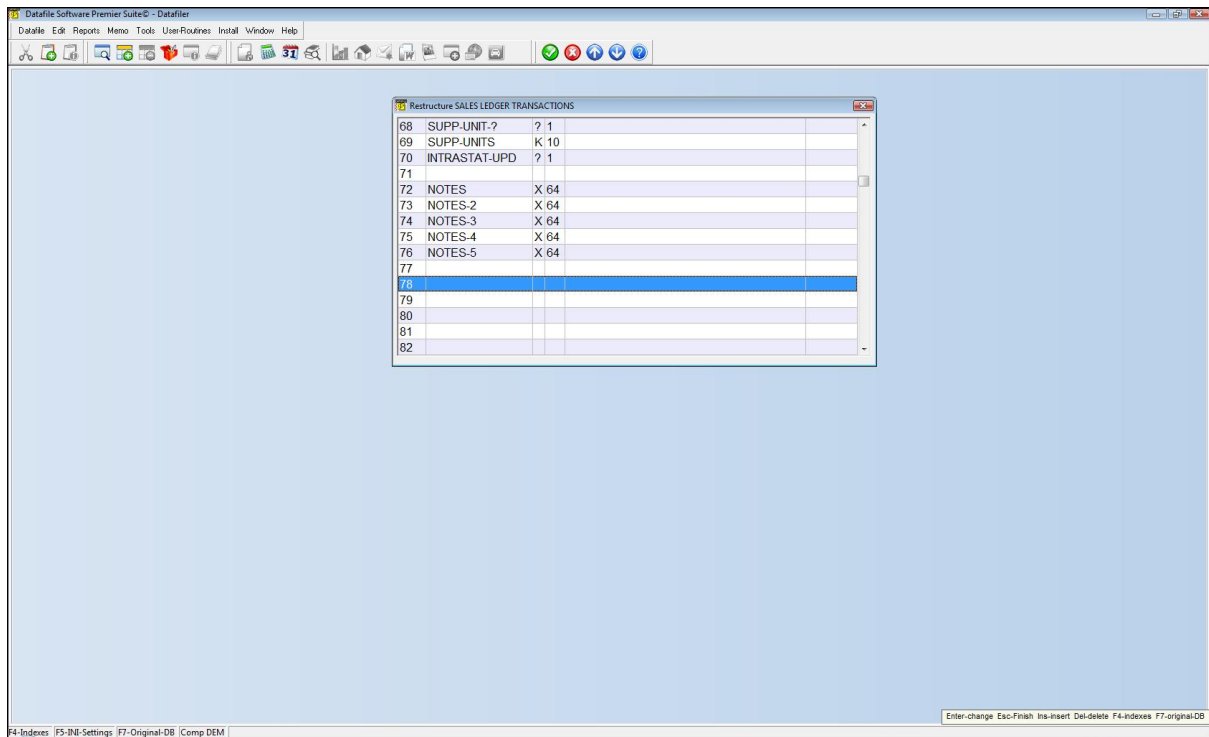
Database Changes

If you haven't already used the Reverse VAT procedures for UK transactions then new data items are required for the sales and purchase transaction files.

Diamond and *Premier* users should select the **Installation** option off the main menu followed by **Application Manager**, and **Restructure a Database**. Select the Sales or Purchase Ledger application, select to change the LIVE files and then select the transaction file.

Professional and *Compact* users should select the **Database Systems** option off the main menu followed by **Datafile Database Utilities**, **Create/Amend Database Structures** and then **Restructure a Database**. When prompted enter the pathname for the transaction file –

usually DATA\???-SLT.DFD and DATA\???-PLT.DFD (where ??? is replaced with your company id)



Once the data items are listed move down to a blank entry and press <Enter> to insert a new data item. Set the item name as 'REVERSE-VAT' and set the item type as 'K'

Once complete press the <ESC> key and choose the UPDATE option. When prompted confirm that extracting data to new databases and are copying table entries from the old to the new database.

Once complete you will be prompted to remove the old database – respond No. *Diamond* and *Premier* users will then be prompted to update the base file – select as required and, if yes, repeat the changes above.

Database Profiles

The new items need to be referenced within the Datafile Database Profiles.

Diamond and *Premier* users should select **Installation** from the main menu followed by **Application Manager** and then **Set Database Profiles**. *Compact* and *Professional* users need to sign on with the user-id SYSCON and the password ELDFOI (if December 2009, if later contact your reseller) then select **Database Manager** and then **Database Profiles**

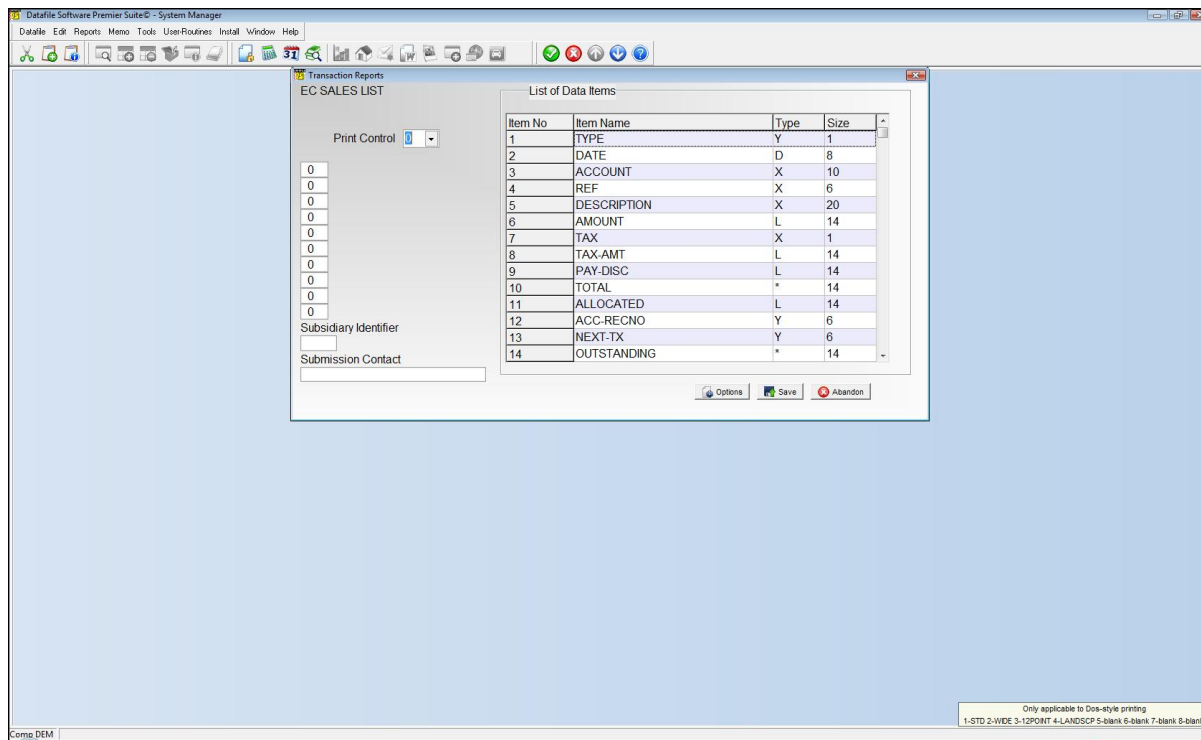
From the application list select the Sales / Purchase Ledger respectively and then select the parameter screen **Trans Optional 3** – on the left move down to the prompt for **Reverse VAT** and reference the item number of the new data item created above - <F4-Select> is available as required.

Application User Facilities

A new VAT reporting option is available for the Sales Ledger – an EC Sales List report which prints a report detailing the information required for the completion of the EC Sales List and also allows creation of a CSV file for submission to the HMRC instead of completing the printed copy.

To configure *Diamond* and *Premier* users should select **Installation** from the main menu followed by **Application Manager**, and then **Application User Facilities**. *Compact* and *Professional* users should sign on with the SYSCON user-id and the password ELDFOI (again if December 2009, if later contact your reseller) and select **Application User Facilities**.

Select the **Sales Ledger** application followed by **Transaction Reports** and then **Tax Control Reports**. The first screen asks for the print control for the VAT Control Summary, the second page the items for the EC Totals Report, the third page for the EC Details Report and the fourth page for the Reverse Charge Sales List. A new **fifth** screen has been added for the **EC Sales List**.



Print Control – set the print control to '1' for Standard Report Listing.

Data Items – the data items required on this report are the EC-Country Code, the EC-VAT Registration Number, the standard transaction Amount item and a special 162 item for the Indicator flag.

Subsidiary Identifier – if supplied by HMRC, if don't have one leave blank.

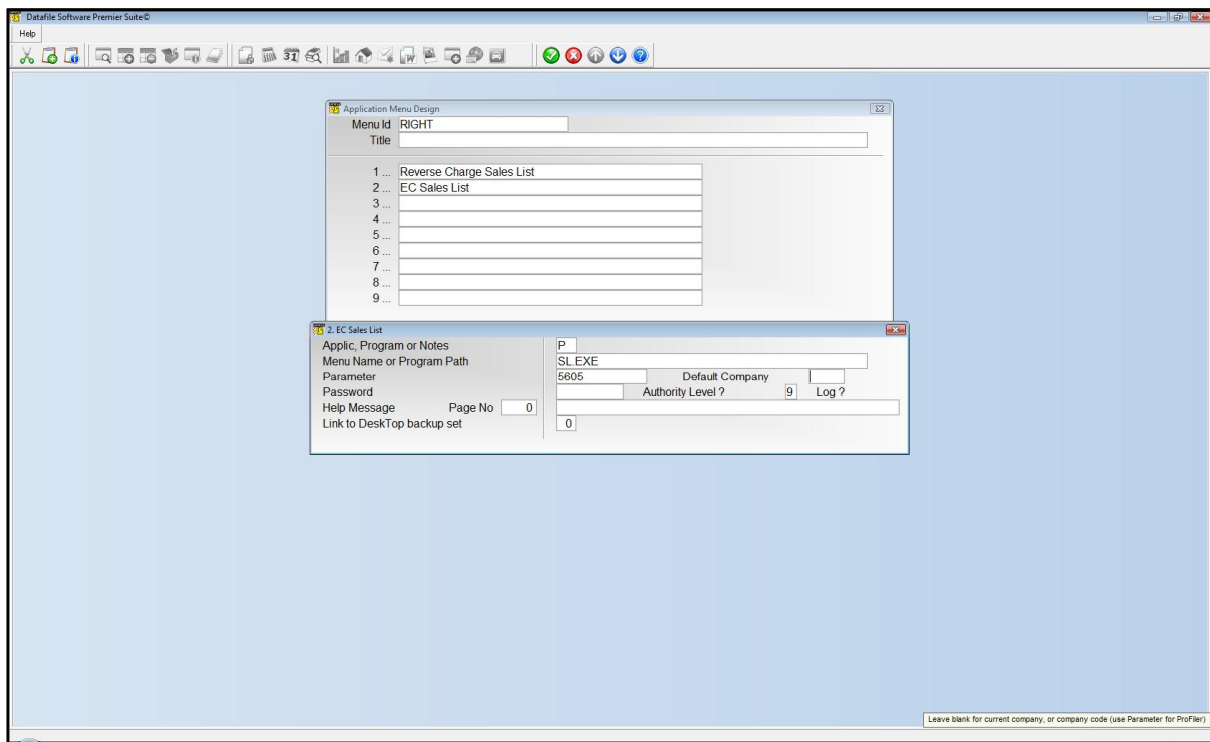
Submission Contact – enter the contact name for the HMRC in case of query with the submitted EC Sales List.

You can at this point also select the **OPTIONS** button to format the printing of the EC Sales List – recommended settings are A4 portrait with a font of Arial 10pt.

Menu Change

Compact and *Professional* users must update their menus as part of the program update (if don't choose do this at time of update then you need to copy on the SLVAT.D03 from within the 'unzipped' installation folder), *Diamond* and *Premier* users can make a manual change to include the EC Sales List.

Sign on as the **CONFIG** user and select the **Application Menu Design** option before entering the SLVAT.D03. Select to update either the left or right hand menu as required and move down to a blank entry. Enter a title of 'EC Sales List' and press <Enter> to set the menu parameters.



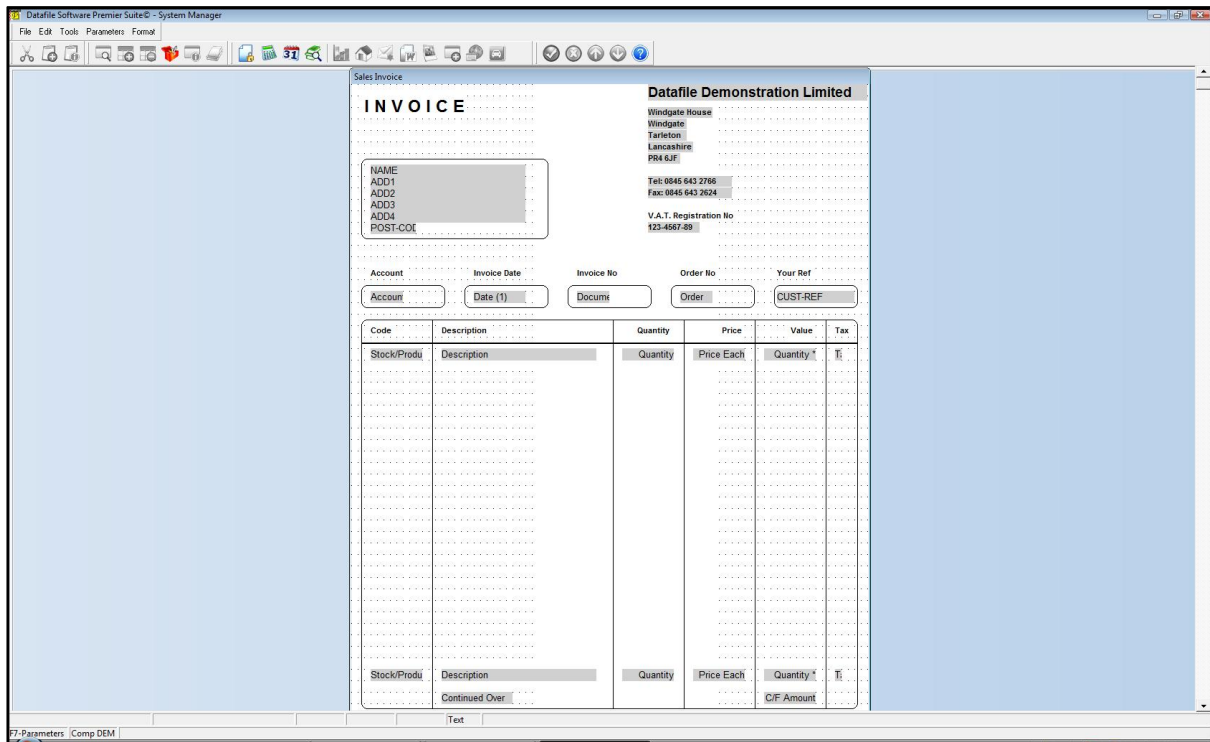
Applic, Program or Notes	P-Program
Menu Name or Program Path	SL.EXE
Parameter	5605

Document Design

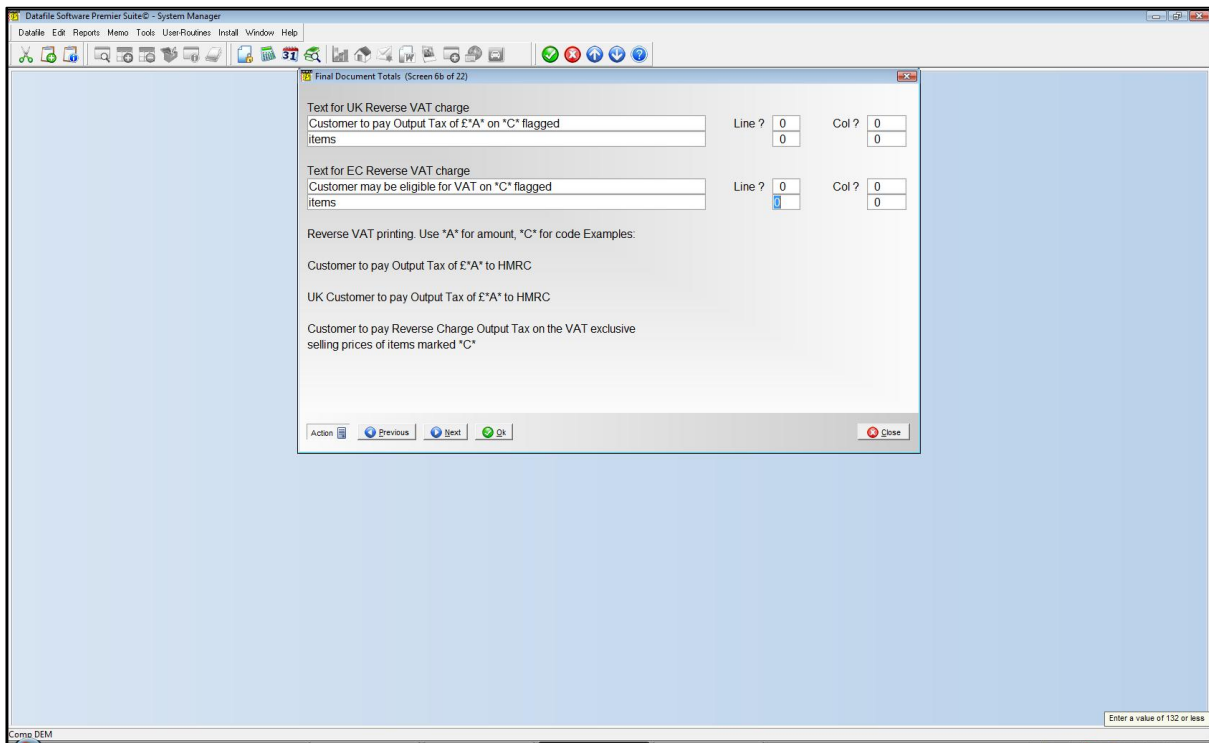
New options have been added to the Invoicer and Sales/Purchase Order Processing Documents for the Reverse VAT elements. The VAT Analysis Table now has a column for the Reverse VAT element (you may want to use this on your Purchase documents but not on your Sales documents), in addition a 'commentary' option has been added that can be applied to the invoice when a Reverse Charge element is applied.

To update your document layout *Diamond* and *Premier* users should select **Installation** from the main menu followed by **Application Manager** and then **Document Design Manager**. *Compact* and *Professional* users should select **Installation** from the main menu followed by **Document Design Manager**.

Select the application, document type and document layout as required. Once selected the document mask will be displayed.



To update the text commentary if Reverse VAT is calculated select the parameters option from the toolbar and move to the 'Final Document Totals' parameter screen (screen 6 on both Invoicer and SOP/POP documents). The commentary options are on screen 6a for Invoicer Documents and POP Documents, and screen 6b for SOP documents.



The first section relates to UK Reverse VAT charges, the second to the new EC Reverse VAT Charges. You would typically only enter the text within this parameter screen and, once set, position the print item from the document mask.

On Sales Invoices you will be advising the customer that the invoice for service charges may be eligible for VAT in their country and text should be phrased accordingly. You can use *C* as a marker for replacement with the VAT code used for reverse VAT.

On Purchase Invoices you will be calculating the reverse charge element based on goods value so you might include the *A* marker for replacement with the actual VAT calculated.

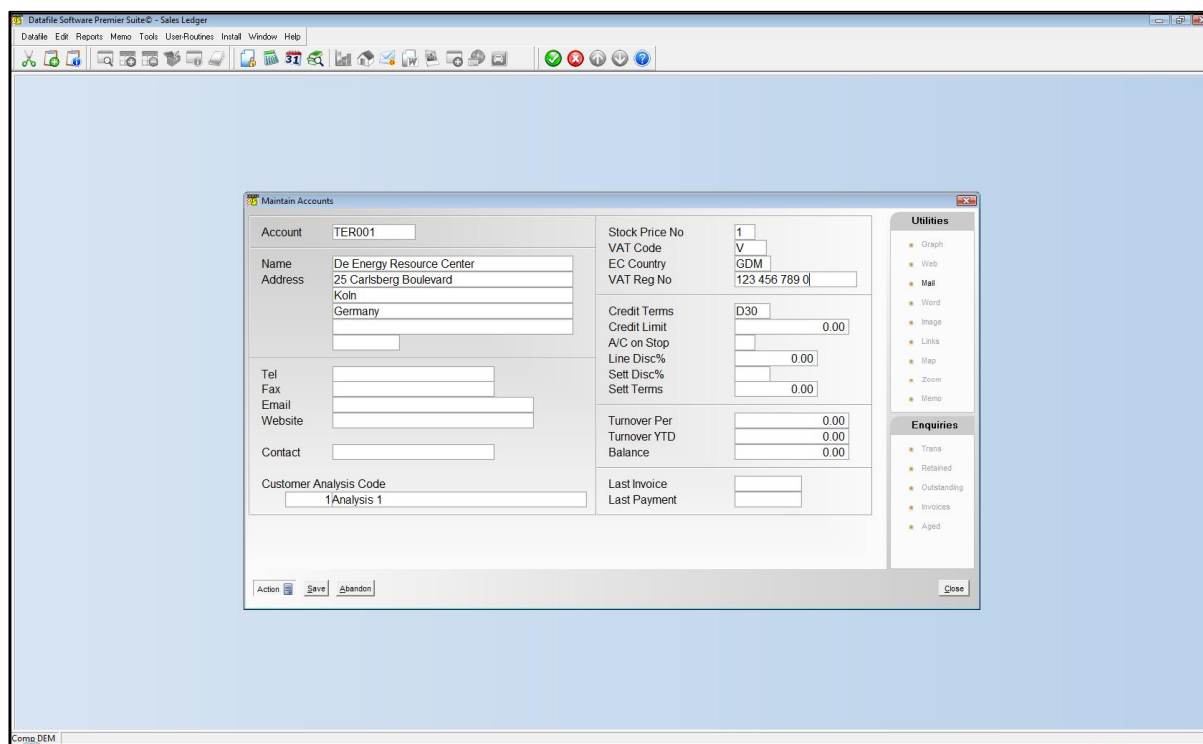
Once the text has been entered click the OK button to return to the document mask – to position the text commentary right click with mouse and select 'Data Item' and then select the category 'Document Totals' and the items 'Text of EC Reverse VAT (1) and (2)'

On purchase documents you may, if printing the VAT Analysis table, include an extra column for the Reverse VAT amount calculated. To insert this data item position the cursor on the line where the VAT table prints, right-click with the mouse, select 'Data Item' and the 'Tax Table' category and the item 'Reverse Tax Amount'.

Using Your Datafile System

Customer / Supplier Account Maintenance

To use the EC-Reverse VAT code against a sales or purchase transaction you need to ensure that the relevant customer or supplier account has the EC Country and VAT Registration Number recorded against it (in addition the country code cannot be GB). If these conditions aren't met then invoice/order entry will report that the 'EC Reverse Tax code not applicable for this account'.



You can set the default customer/supplier VAT code as the EC-Reverse code but note that when invoices are generated in conjunction with a stock / product file it is the product records 'EC VAT Code' that is used to set the VAT code applied on the line.

Transaction Entry

Sales / Purchase Ledger - Direct entry of Invoices and Credits within the Sales Ledger is unchanged except that the update commentary will record a calculated 'reverse tax' amount based on the entered goods value. Direct Entry of Purchase Invoices and Credits will prompt in a pop-up to confirm the calculated Reverse Tax element.

Invoicer – entry procedures for Sales Invoices are unchanged though the printout can include a text commentary advising that VAT may be due on the service charged on this invoice. Purchase Invoices and Credits will prompt for the Reverse VAT element after confirmation of the VAT code.

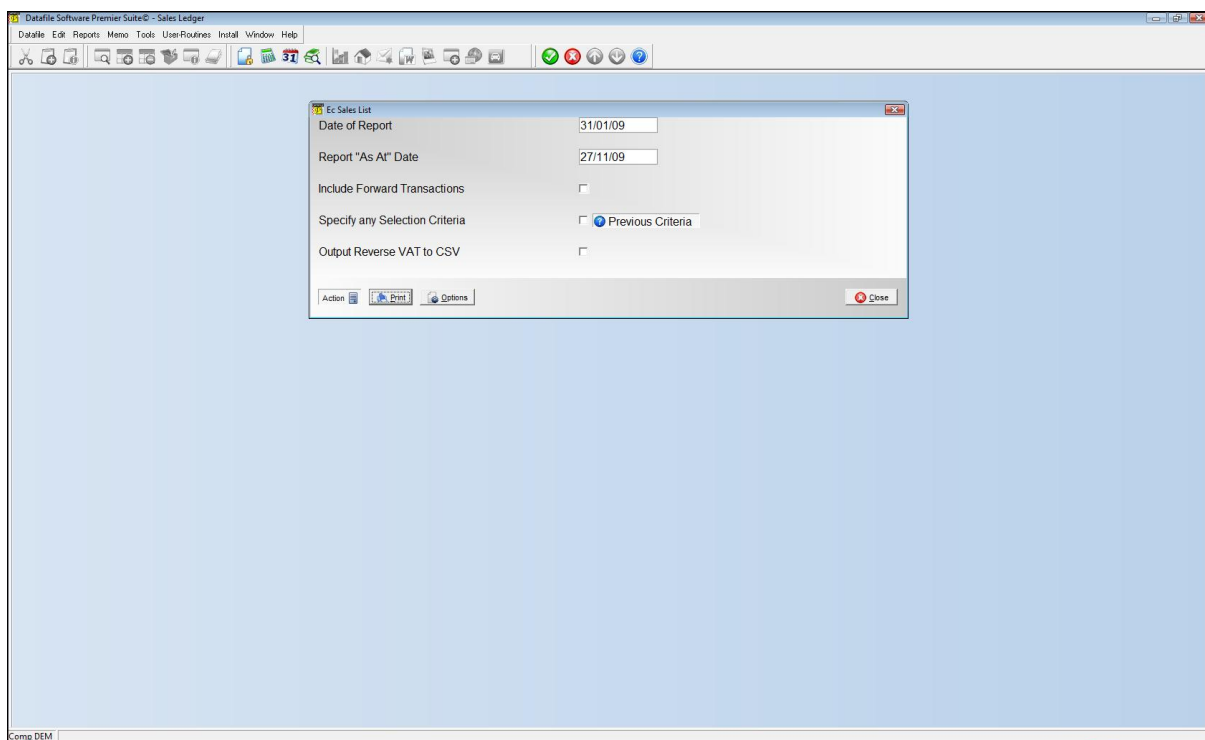
Order Processing – again invoice generation is unchanged for Sales Order Processing though the printout can include a text commentary advising that VAT may be due on the service. Purchase Order Processing Invoices and Credits will operate as standard except where set to confirm line tax/totals in which case where appropriate the system will prompt to confirm the reverse tax value.

VAT Reports

The VAT Control Summary will include details of all VAT codes as usual including the EC Reverse VAT code. On the Sales Ledger report the reverse VAT total is a memo and is not used anywhere. The EC Totals / Details report will also include the EC Reverse VAT code.

The VAT Form 100 within the Cashbook also processes the EC Reverse VAT code transactions – the sales ledger transaction goods amount is used when accumulating box 8 of the VAT Form 100, the purchase ledger transaction however accumulates the goods amount in both boxes 6-Total Sales and 7-Total Purchases as well as including the Reverse VAT amount in box 1-VAT due on Sales and box 4-VAT reclaimed on purchases. The purchase transactions are not included in box 9.

Finally, a new VAT report is available on the Sales Ledger – the EC Sales Listing. This report can be used to complete the EC Sales Listing and also creates a CSV file that can be uploaded to the HMRC for online submission of the EC Sales List. Only VAT codes flagged for inclusion in the EC Sales List will be included on this report (typically the C-EC Goods and V-EC-Reverse codes)



Notes

When issuing sales invoices for Business-2-Business transactions it is up to you to determine, with assistance from the customer, whether the service is eligible for VAT in the customers' country and use the appropriate VAT code.

If the VAT code used is later determined to be incorrect then credits should be issued and then the service re-invoiced. Similarly the values set for Country Code and VAT Registration Number need to be accurately completed.

Intrastat reporting is not affected by these changes as this relates to goods (and associated services such as delivery) only.
