

Important Note from Datafile Software

Changes in VAT Standard Rate – Effective 4th January 2011

On 4th January 2011 the Standard VAT rate changes to 20%

Before 1st January 2010

- Sales Invoices – try to invoice as much as possible that relates to the supply of goods and services before 4th January 2011 but do not invoice anything early to deliberately avoid the higher rate VAT charges (HMRC anti-avoidance unit will be auditing for this)
- Review your invoice and credit document layouts – does the tax rate display on the document, if so is the rate set as text on the document or is it picked up from the VAT table. If the latter then all is OK, if written as text on the document then you will need to update the document layout – look to reword without mentioning specific rate or switch to using the ‘Tax Analysis Table’ options.
- Advance Sales Invoicing – if you need to process an invoice dated 4th January 2011 or later for goods/services supplied on/after 4th January early then update the VAT table to add a ‘H-HigherStnd’ VAT rate at 20%. When entering your invoice/order details manually update to use this code instead of the usual ‘S’ code where appropriate.
- Sales Order Processing Credits / Purchase Order Processing Invoices and Credit Documents – if available set a document confirm item (screen 11 of document parameters) to allow amendment of the VAT code during document production.
- VAT inclusive Pricing – if stock/product prices are set on a VAT inclusive basis decide on a plan of action for 4th January 2011. Do you intend to adjust your prices or keep the same VAT inclusive prices and have an ‘effective’ VAT exclusive price decrease? If revising prices how does your system record the price – a standard input item for price or a calculated price based on a trade (VAT-exclusive) price?
- Invoice Generator application users – Do you record the VAT amount on the invoice detail (this is not set as default). If so you will need to prepare to reset these values (by re-confirming the invoice detail VAT code for each active detail) on 4th January 2011
- ProFiler / ProFiler Plus Invoicing – if calculating VAT on reports/records how do you do this? Will you have to re-confirm detail VAT codes so that new VAT rate is updated, or will the database/report structure need to be updated for a new ‘constant’ value of 20%?

On 4th January 2011

- VAT Table – update the VAT table to change the standard VAT rate (usually ‘S’ or ‘1’ VAT codes) to 20%. Add a new ‘L-Lower Stnd’ VAT rate at 17.5% (replace the H-Higher if desired), if purchasing from the EU then you will also need a new ‘Y-Lower EC’ VAT rate which links to the new ‘L’ UK code.
- VAT Inclusive Pricing – if resetting VAT inclusive prices then update now.

- Update Active Sales Orders – if you have active sales orders which are to be invoiced back dated to before 3rd January 2011 then amend the order line to use the new ‘L-Lower Stnd’ code which will continue to invoice at 17.5%. Deposit processing users who calculate VAT on their deposits should update any active ‘negative’ deposit lines to use the new ‘L’ VAT code, any counter-sales discount lines should be deleted and re-entered.
- Invoice Generator users – if recording VAT amounts update active invoice generator details to re-confirm VAT code so that the VAT amount(s) are reset.
- ProFiler / ProFiler Plus Invoicing – if you haven’t exited from Datafile since VAT rate was changed do so now (completely out and back in again). Make any changes to report/database structures if needed. Re-confirm VAT code to update the new 20% rate on active details if necessary.

On/After 4th January 2011

- ‘Late’ Purchase Invoices – if you receive an invoice dated prior to 3rd January for goods/services supplied prior to 3rd January then use the new ‘L’ code for VAT (POP users who didn’t/couldn’t set confirm item for VAT code should amend the order prior to invoicing).
- Purchase Invoices – if you receive an invoice dated prior to 3rd January for goods/services supplied after 4th January at VAT rate of 17.5%, then you can ask the supplier to re-issue at new rate but they are not obliged to (and for VAT-registered businesses it’s pretty immaterial in the end anyway) as the tax point is before the change in rates. On entry within Datafile use the ‘L’ code to calculate VAT at 17.5%
- Purchase Invoices II – if you receive an invoice dated after 4th January for goods/services supplied after 4th January at a VAT rate of 17.5% then consider rejecting the invoice and asking the supplier to re-issue, or enter at 20% VAT and ask the supplier for an additional invoice for the difference.
- Sales/Purchase Credits relating to standard VAT invoices before 3rd January 2011 should use the new ‘L’ code so that credit is calculated at 17.5%.
- SOP Credits Against Existing Orders- users who credit against existing order can use the confirm item discussed above to apply the ‘L’ VAT code on credits – if it’s a ‘value-only’ credit note that is to be re-invoiced (so the ‘point of supply’ is still before 3rd January) then you can re-invoice continuing to use the L code, if re-supplying goods/service then should change the VAT code ‘back’ to S within order entry so uses the revised rate on re-invoice. If unable to set confirm item then will need to add a new ‘credit’ order for the back-dated credit.