

## TECHNICAL BULLETIN FROM GLOBAL BUSINESS SYSTEMS

**BULLETIN NUMBER GT951, 15 NOVEMBER 2010**

# Budget Report 2010 – Increase in VAT Rate Changes

This bulletin should be read in conjunction with GT947 (28-Nov-2008) and GT949 (14-Dec-2009), which covered the original reduction of the standard rate of VAT from 17.5% to 15.0% and its subsequent change back to 17.5%. This subject is also described here: <http://www.global3000.co.uk/newsletter/vat15.htm>

In his Budget Report on the 22<sup>nd</sup> June 2010 the Chancellor confirmed that an increase of the standard rate of VAT from 17.5% to 20% will occur on the 4<sup>th</sup> January 2011. This bulletin looks in detail at the technical advice issued as part of this publication with a view to establishing a workable approach to this situation at sites using Global 3000 or Global 2000 Financial and Distribution software products supplied by TIS Software Ltd.

### **HOW DOES THIS AFFECT USERS OF GLOBAL 3000 SOFTWARE?**

These changes are likely to impact on all sites using Global 3000 Financial and Distribution software packages for trade in the UK involving sale or purchase of goods subject to VAT at the standard rate.

To assist with the original change, for users of the Global 3000 V5.0 and V6.0 ranges of products TIS Software Ltd provided:

- Instructions in documents GT947 and GT949 for establishing a tax code for the new standard rate of tax for use by General Ledger, Debtors Ledger, Creditors Ledger, Cash Manager, Purchase Order Processing, Landed Costs and Stock Control,
- A Product Register Tax Code Utility facilitating migration of registry entries from one tax code to another,
- A Sales Order Book Tax Code Utility facilitating migration of uninvoiced lines from one tax code to another,
- A series of service packs introducing a new feature called the “NEW UK STANDARD VAT RATE REMINDER” protocol, or simply, “The Reminder Protocol” (not V5.0).

Since then TIS Software Ltd have added a new facility to Global 3000 V6.0 which allows the user to set Date Ranges for Tax Rates. **There are no plans to implement this facility in Global 3000 V5.0.**

The first three of the above are vital for bringing businesses to a point where they can trade using new standard VAT rate. The fourth stage, the reminder protocol not strictly required but checks as far as possible for potential problems from January 4 2011 and, if any are encountered, asks the operator to confirm that operations are to proceed. All windows in the reminder protocol include the phrase “NEW UK STANDARD VAT RATE REMINDER” in their title. Every window offers the opportunity to cancel the operation giving rise to the warning or override the warning storing details of the override. Options to completely suppress operation of the protocol in various different areas of the software are available at system parameter level.

Implementing the new standard VAT rate from January 4 2011 at any site using Global 3000 Modules from TIS Software Ltd involves changing key administration parameters.

**Global 3000 V6.0 only.**

You need to check that you have implemented the multiple tax rate facility along with the new rate from 04 January 2011.

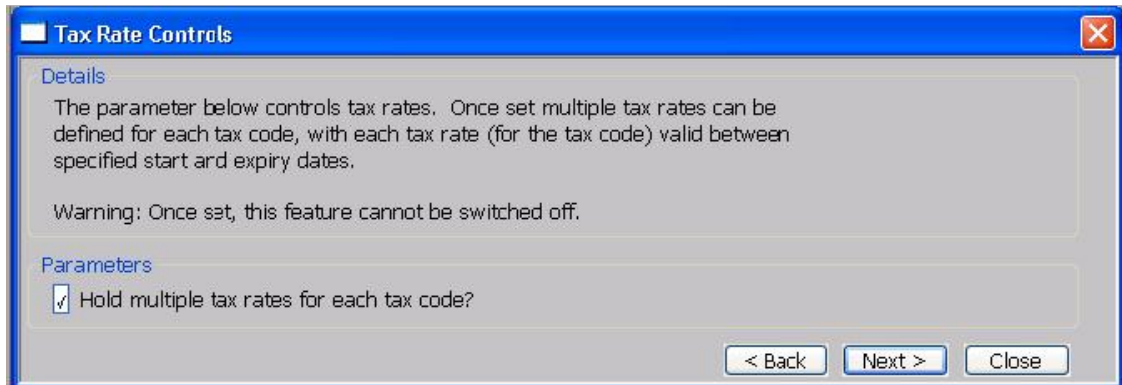
**Global 3000 V5.0 only.**

You need to check there is a tax code for the standard VAT rate of 20%, updating the code for domestic supplies to be the new tax code, updating the tax codes on the product register(s), updating tax code(s) on uninvoiced items on the Sales Order Book as described below.

Despite the migration utilities being supplied by TIS Software Ltd, making these changes may not always be straightforward because of the possible impact on on-going transactions. You are strongly advised to check the migration task list contained in GT947.doc and plan your changes to keep disruption to your normal business operations to a minimum.

## CHANGES FOR SITES USING GLOBAL 3000 V6.0

The “Hold multiple tax rates for each tax code?” in the Administration – Operating Options **must** be enabled.



**Tax Rate Controls**

**Details**

The parameter below controls tax rates. Once set multiple tax rates can be defined for each tax code, with each tax rate (for the tax code) valid between specified start and expiry dates.

Warning: Once set, this feature cannot be switched off.

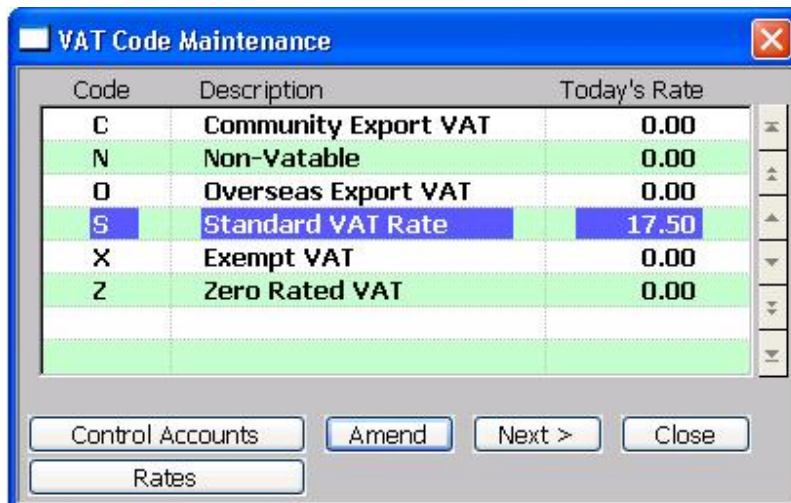
**Parameters**

☒ Hold multiple tax rates for each tax code?

< Back   Next >   Close

To set the new rate and dates:

Select Administration parameters - Tax Codes:



**VAT Code Maintenance**

Code	Description	Today's Rate
C	Community Export VAT	0.00
N	Non-Vatable	0.00
O	Overseas Export VAT	0.00
S	Standard VAT Rate	17.50
X	Exempt VAT	0.00
Z	Zero Rated VAT	0.00

Control Accounts   Amend   Next >   Close

Rates

Select the tax code that relates to the Standard rate of VAT (currently 17.50%) and select rates.

**Tax Rates**

Code	Description	Start Date	Expiry Date	% Rate
S	Standard VAT Rate	-- None --	30/11/2008	17.50
S	Standard VAT Rate	01/12/2008	31/12/2009	15.00
S	Standard VAT Rate	01/01/2010	-- None --	17.50

Amend Apply Close

Locate the line for the current (17.50%) rate, and then select amend and change the Expiry Date to 03/01/2011.

**Tax Rates**

Code	Description	Start Date	Expiry Date	% Rate
S	Standard VAT Rate	-- None --	30/11/2008	17.50
S	Standard VAT Rate	01/12/2008	31/12/2009	15.00
S	Standard VAT Rate	01/01/2010	03/01/2011	17.50

Amend Apply Close

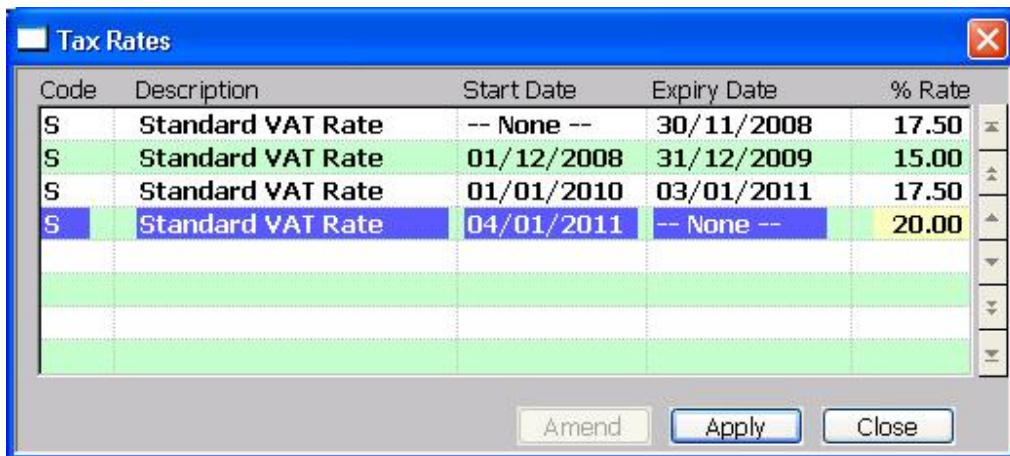
When you accept this, a new rate will be created with a start date of 04/01/2011.

**Tax Rates**

Code	Description	Start Date	Expiry Date	% Rate
S	Standard VAT Rate	-- None --	30/11/2008	17.50
S	Standard VAT Rate	01/12/2008	31/12/2009	15.00
S	Standard VAT Rate	01/01/2010	03/01/2011	17.50
S	Standard VAT Rate	04/01/2011		

Amend Apply Close

Leave the expiry date as – None – and set the rate to 20%.



**Tax Rates**

Code	Description	Start Date	Expiry Date	% Rate
S	Standard VAT Rate	-- None --	30/11/2008	17.50
S	Standard VAT Rate	01/12/2008	31/12/2009	15.00
S	Standard VAT Rate	01/01/2010	03/01/2011	17.50
S	Standard VAT Rate	04/01/2011	-- None --	20.00

Amend Apply Close

## **GLOBAL 3000 V5.0 MIGRATION TASK LIST**

The following tasks need to be considered when planning migration of your business operation to use to the new standard rate code of 20% as the domestic rate for UK supplies and EC acquisitions:

### **1. Preparation**

The migration process will switch the default tax operation of your business from 17.50% to 20%. Before undertaking that process, it is important that your data is in a clearly defined state to make it easy to distinguish between data processed prior to the migration and data processed after migration. In particular, you should:

- Invoice any Sales Orders due for invoicing prior to January 4 2011,
- Close all batches in Debtors Ledger,
- Complete and post any Purchase Invoices dated prior to January 4 2011,
- Close all batches in Creditors Ledger,
- Close all batches in Cash Manager,
- Close all batches in General Ledger.

The next step in the migration procedure will have a profound effect upon your business data records. You are therefore strongly advised to take a full back-up of your data before undertaking the next step in order to ensure a recovery point in the event that a problem is encountered during the migration.

### **2. Cutover**

During this section of the migration, your Global 3000 system will not be available for business operation. Consequently, only those aspects of migration that are absolutely necessary in order to begin trading using the new standard domestic rate feature here. Corrections and other accounting considerations resulting from the VAT rate change that can be dealt with in a relatively relaxed manner once your business is up and running using the new standard VAT rate are dealt with in the later section titled "Corrections". This cutover phase concentrates on getting the bulk of your systems operable from January 4 2011 using the amended standard rate. This involves the following steps.

#### **2.1 Set Administration Parameters**

Changes to administration parameters which signal the migration of your system to operating the new standard rate of VAT need to be made.

#### **2.2 Update Product Register**

If you are using Global 3000 Stock Control, Sales Order Processing, Purchase Order Processing, Manufacturer, Landed Costs, Sales History or EDI, you will need to run the Product Register Tax Code Utility, **SPTUP5**, available from the Global web-site to migrate products from the old standard rate UK tax code to the new standard rate UK tax code.

#### **2.3 Update the Sales Order Book**

Probably the trickiest aspect of the cutover. You need to run the Sales Order Book Tax

Code Utility, **OITUP5**, to modify uninvoiced lines marked for tax at the old standard rate of VAT and mark them to use the tax code for the new standard rate of VAT. Any VAT adjustments arising from invoices or credit notes relating to supplies of goods and services which qualify as supplies charged at standard rate that span the change (see VAT-Guidance Annex C) should be accounted for by post-cutover Sales Daybook corrections.

#### **2.4 The Purchase Order Book & Shipment Register**

Providing entry of purchase invoices was completed prior to starting the cutover as advised in the section on preparation, there should be no requirement to change the purchase order book or the register of shipments.

Once this point has been reached in the migration task list, your business can proceed with trading using the new standard rate tax code.

### **3. Post-Cutover Corrections**

The following tasks could be undertaken as part of the cutover exercise but are probably best performed as a separate series of tasks in the accounting period(s) following cutover purely to keep the amount of time that your system is out of commission to an absolute minimum.

#### **3.1 Sales Day Book Corrections**

You need to identify invoice lines which relate to goods and services which qualify as supplies charged at standard rate that span the change and issue corrections to customers for the portion of the charge falling after the changeover. Each correction will consist of a credit line for that portion charged at the old standard rate of VAT plus a debit line for the same portion charged at the new standard rate of VAT.

You need to identify credited lines which relate to goods and services which qualify as supplies charged at standard rate that span the change and issue a correction to customers for the portion of the charge falling after the changeover. Each correction will consist of a debit line for that portion charged at the old standard rate of VAT plus a credit line for the same portion charged at the new standard rate of VAT.

#### **3.2 Purchase Day Book Corrections**

You need to identify invoiced lines which relate to goods and services which qualify as supplies charged at standard rate or subject to acquisition tax that span the change and produce a correction for the portion of the charge falling after the changeover. Each correction will consist of a credit line for that portion charged at the old standard rate of VAT plus a debit line for the same portion charged at the new standard rate of VAT.

You need to identify credited lines which relate to goods and services which qualify as supplies charged at standard rate or subject to acquisition tax that span the change and generate a correction for the portion of the charge falling after the changeover. Each correction will consist of a debit line for that portion charged at the old standard rate of VAT plus a credit line for the same portion charged at the new standard rate of VAT.

#### **3.3 Cash Book Corrections**

You need to identify invoiced lines which relate to goods and services which qualify as supplies charged at standard rate or subject to acquisition tax that span the change. Acquisitions, supplies purchased and purchase refunds falling into this category, need processing as per matching items on the purchase daybook. Supplies charged and taxable refunds issued need processing as per matching items on the sales daybook.

### **3.4 General Ledger Journal Corrections**

You need to identify journals posted directly into General Ledger which relate to goods and services which qualify as supplies charged at standard rate or subject to acquisition tax that span the change. Acquisitions, supplies purchased and purchase refunds falling into this category, need processing as per matching items on the purchase daybook. Supplies charged and refunds issued need processing as per matching items on the sales daybook.

## **4. Post-Cutover Operation**

### **4.1 Postings involving tax at 17.50% dated on or after January 4 2011**

If a taxable transaction is added to the system dated on or after January 4 2011 and some or all of that transaction is analysed to a tax code that has a rate of 17.50%, a warning is issued. You can override the warning and continue.

### **4.2 Postings involving tax at 20% dated before January 4 2011**

If a taxable transaction is added to the system dated before January 4 2011 and some or all of that transaction is analysed to a tax code that has a rate of 20%, a warning is issued. You can override the warning and continue.

### **4.3 Allocations involving debits and credits taxed at different rates**

If a taxable transaction dated prior to the cutover is allocated to a taxable transaction dated after the cutover and they involve different tax codes, a warning is issued. You can override the warning and continue.

Bear in mind that when you perform the cutover, you are in effect instructing Global 3000 that your processing of tax points prior to January 4 2011 is complete and the system will subsequently assume that all transactions regardless of date relate to a tax point subject to the new standard VAT rate. Once you have activated the reminder protocol, your systems will warn you, if any of the above conditions arise but will not force you to alter the tax code.

Applying the Reminder Protocol Service Pack, adds a “Reminders” group box to the VAT options window. The entries in this box provide the ability for someone having access to System Parameters to suppress these warnings if they interfere with the accounting approach you have chosen to adopt to perform post-cutover operation.

## **5. Do I really need to do anything?**

The question has been asked “Why can’t I just change the percentage on the tax code for the standard rate from 17.5% to 20%?”



Unfortunately, the system records tax codes and amounts on the documents it produces but rarely stores the actual percentage associated with the code at the point the document is produced. Simply changing the percentage rate on a code can lead to situations where re-printing a document results in tax information of the form:

Tax code: S Rate: 20% Net £100.00 Tax £17.50

## **CHANGES FOR SITES USING GLOBAL 3000 V5.0**

Add a new standard rate code of 20% as the domestic rate for UK supplies:

### **1. Add the New Standard Rate Code**

- Select the tax codes option from the Administration Parameters menu and add a tax code for the new standard rate at 20%. Press OK (or your End key) to establish the new code as the code for domestic supplies. Click on OK and then confirm the updates.
- Select Company Parameters, GL Control Accounts, Click OK to GL Controls and having confirmed the window, then at the Cash Book control accounts <Escape> to bring up the Tax Control accounts window to set the control accounts for the new standard rate to those already in use for the old standard rate of 17.5%: Press "OK" to activate the control accounts for the new standard rate tax code.

Once the above steps have been taken, the new standard rate will be offered as default on all new taxable transactions added when using:

- Debtors Ledger Transaction Entry on Customer Accounts configured for normal VAT operation.
- Creditors Ledger Transaction Entry on Supplier Accounts configured for normal VAT Operation.
- Cash Manager Transaction Entry of VAT inclusive amounts at the net prompt.
- General Ledger Transaction Entry of VAT inclusive amounts.

PLEASE NOTE: It is vital that the above changes are made prior to posting transactions dated from January 4 2011 for ALL sites using Global 3000 to ensure continued legal tax accounting. The changes should NOT be made prior to entry of ledger postings dated from January 4 2011.

Note also that they are just part of a list of changes which must ALL be considered in order to successfully migrate your software to using the new standard VAT rate of 20%.

### **2. Update the Product Register**

If you are using Global 3000 Stock Control, Sales Order Processing, Purchase Order Processing, Manufacturer, Landed Costs, Sales History or EDI, you will need to run the Product Register Tax Code Utility, SPTUP5, available on the Global web-site to migrate products having the old standard rate UK tax code to the new standard rate UK tax code.

Run the utility from the product maintenance menu, by pressing <F1> and entering SPTUP5 in response to the command prompt. The 'Product Register – Tax Code Update' window is displayed:

**Tax code to change from** Identify the tax code currently used as the standard VAT rate on sales of products that you wish to replace with a new standard rate. A pop-up search of currently defined tax codes is available.

**Tax code to change to** Identify the tax code to be used in future as the standard VAT rate on sales of products that are currently subject to the rate you have elected to replace. A pop-up search of currently defined tax codes is available.

**Confirm** Tick to confirm that you wish to update the product register as indicated in tax codes section.

Press "Proceed" to perform the tax code replacement. A progress window is displayed during replacement and on completion of the operation; you are informed of the count of products which had their tax code changed by the operation.

Please note: This process needs to be performed individually for each standard rate VAT code in use in your system and for each stock database currently in use at your site.

### **3. Update the Sales Order Book**

If you are using Global 3000 Sales Order Processing, you will need to run the Sales Order Book Tax Code Utility, OITUP5, supplied on the Global web-site to migrate uninvoiced order lines having the old standard rate UK tax code to the new standard rate UK tax code and to detect any part invoiced lines.

Run the utility from the product maintenance menu, by pressing <F1> and entering OITUP5 in response to the command prompt. The 'Sales Order Lines – Tax Code Update' window is displayed:

**Tax code to change from** Identify the tax code currently used as the standard VAT rate on sales of products that you wish to replace with a new standard rate. A pop-up search of currently defined tax codes is available.

**Tax code to change to** Identify the tax code to be used in future as the standard VAT rate on sales of products that are currently subject to the rate you have elected to replace. A pop-up search of currently defined tax codes is available.

**Confirm** Tick to confirm that you wish to update the sales order book as indicated in tax codes section.

Press "Proceed" to perform the tax code replacement on uninvoiced lines and to report any partially invoiced lines. A progress window is displayed during replacement and reporting and on completion of the operation, you are informed of the count of

uninvoiced lines which had their tax code changed by the operation and the count of partially invoiced lines which need to be corrected before the order book can be used properly.

For each line appearing on the part-invoiced lines report, you need to split the line to reduce the order quantity on the existing line to the invoiced quantity which will mark the line as complete and then add a new line containing the difference between the original order quantity and the reduced order quantity.

**Note-1:** If any of the uninvoiced stock on the line has been despatched you will need to transfer details such as serial numbers, batch numbers etc to the new line. It is strongly recommended that you produce a full print of the order before amending it in such cases.

**Note-2:** If any of the uninvoiced stock on lines has been picked but not despatched, it may prove worthwhile unpicking such stock before attempting to update the tax codes on the order book.

**Note-3:** Because this step is done after the changes to system parameters and the updates to the product register described in the previous sections, all new lines that you add will automatically be marked for tax at the new standard rate you have established for the product involved.

**Note-4:** This process needs to be performed individually for each separate order book currently in use at your site.

#### **HOW DOES THIS AFFECT USERS OF GLOBAL 2000 SOFTWARE?**

These changes are likely to impact on all sites using Global 2000 Financial and Distribution software packages for trade in the UK involving sale or purchase of goods subject to VAT at the standard rate.

Sites using Global 2000 Purchase Ledger will need to check the VAT Code table in Purchase Ledger System Parameter Maintenance to ensure there is an entry for 20% and use that entry on all invoices, credit notes and taxable journals from January 4, 2011.

Sites using Global 2000 Sales Ledger will need to check the VAT Code table in Sales Ledger System Parameter Maintenance to ensure there is an entry for Sales VAT at 20% and use that entry on all invoices, credit notes and taxable journals from January 4, 2011.

Sites using Global 2000 Invoicing will need to post all invoices then update all products marked currently for VAT at 17.50% to use the new code for sales at 20%.

Sites using Global 2000 Sales Order Processing will need to post all invoices, update all products marked currently for VAT at 17.50% to use the new code for sales at 20% then amend all standing and open orders to use the revised VAT code from the product record.

There are also migration tools for Global 2000 similar to those available for Global 3000 V5.0.

Tax Codes on Sales Order Book ([G2OPTX utility](#)). ([Documentation](#))  
([G1TXUP utility](#) -16-bit version of G2TXUP)

Tax Codes on Products ([G2TXUP utility](#)) ([Documentation](#))  
([G1OPTX utility](#) - 16-bit version of G2OPTX)