



Why did we change the VAT system?

In earlier versions of QuickBooks the VAT 100 report may not have always matched the balance of the VAT Liability account. We know that this is a major reason why some Accounting Professionals were unwilling to recommend QuickBooks.

The mismatch was due to erroneous ways in which our customers were entering VAT:

- Transactions were entered or modified after VAT was filed
- Transactions contained VAT but didn't have a VAT code associated with it

We decided to overhaul the VAT feature when previous attempts to teach customers the correct process weren't effective. The improved VAT feature ensures that all VAT amounts are caught and accounted for, no matter how or when a transaction was entered. In other words, if you add/modify/delete a transaction after you file VAT, QuickBooks works out the change in your VAT liability and brings it forward to the next filing period.

In short - the new VAT system will always ensure the VAT 100 report matches the balance of the VAT Liability account no matter how transactions are entered and changed for both the Accrual and Cash reporting schemes.

What does QuickBooks do during the VAT upgrade?

When VAT is paid in full, the total amount of Credits (e.g. Customer Invoices) minus Debits (e.g. Supplier Invoices) minus VAT payments or refunds for that period should equal zero. Per period, we add up all the Credits and Debits in the VAT Liability account and if a balance remains then it is likely that VAT has been under/overpaid for that period – we set this amount aside and inform customers post upgrade.

But why do you have to identify an under/overpayment?

We need to ensure customers have the correct starting position for their VAT using the new system – their VAT 100 report must match the balance of the Liability account.

Do I have to deal with (pay/claim/write off) the under/overpayment immediately after upgrade?

No, not in the 2010 version – QuickBooks will just tell you how much it is. You can choose when you want to deal with it, you can defer dealing with it until you are ready to. This is different to the 2008 version, when QuickBooks required you to deal with it before your next VAT filing. We recognize that this caused un-necessary pain.

My clients had large amounts of uncategorized VAT and strange Box 1 & 4 amounts post upgrade to QB2008 – will this happen when I upgrade my QB2006 clients to QB2010?

No – that won't happen. We have made lots of changes to the VAT upgrade system to ensure that the numbers on your VAT 100 remain sensible. The amount of under/overpayment can be zero or it can be thousands of pounds – it just depends how customers have been reporting their VAT in the past and whether they have had an Accounting Professional check their books for discrepancies on a regular basis.

How can I find out more about how QuickBooks does the VAT upgrade?

Review the [VAT Upgrade presentation](#)

How can I learn more about the new VAT system works?

Review the [Overview of VAT](#)

Review a [Detailed Explanation of VAT](#)