

# QuickBooks

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*Get Ready for the VAT Change*

*4th January 2011*

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# 1 Overview

In his 2010 Emergency Budget, the Chancellor announced an increase in the Standard Rate VAT from 17.5% to 20% effective 4th January 2011. If you track VAT, you will need to make the necessary changes in QuickBooks. For more details regarding the Standard Rate VAT changes, please visit the [HMRC Web site](#).

## 2 Updating QuickBooks

This guide contains steps on how to update QuickBooks with the VAT change by editing your existing VAT code.

## 3 QuickBooks Pro/Premier

### 3.1 Checklist

Here is a checklist of steps you must follow to update your VAT to 20% by editing your Standard rate VAT code. As you follow the steps, check them off here when you've completed them

Steps	Done
Update the Standard Rate VAT Code	
Modify invoices or purchases created prior to 4 January 2011	
Entering historical transactions after 4 January 2011 using the old rate of 17.5%	



Note: The EC VAT codes are not required for Cash Accounting.

## 3.2 Update the Standard Rate VAT Code

### 3.2.1 QuickBooks 2008

We recommend that you update your VAT rates in your previous version of QuickBooks before you upgrade your company file to QuickBooks 2008. However, if you have not done so, you can still update your VAT rates as follows.

1. Go to the **Lists** menu and click **Item List**.
2. In the Item List window, click the Type column header to sort the list by item type.
3. Scroll to the items of type VAT Item and adjust the window so that you can see both the Name and the Price columns.
4. Look for VAT Items that have "Standard" in the Name AND that have a Price of 17.5%

There should be two of them—one for the VAT you charge on sales and the other that you pay on purchases. If you have EC VAT items (EC Purch Goods Standard and EC Purch Services Standard), make sure that you change those items to 20% as well.

For each of these items:

- a. Double-click the item in the list.
- b. Change the VAT rate to the new 20% value.
- c. Click OK.

In the Item List, identify the VAT groups "EC Purch Goods 17.5% Group" and "EC Purch Services 17.5%", and then edit the description to change the reference from 17.5% to 20%.

### 3.2.2 QuickBooks 2006:

1. Go to the **Lists** menu and click **VAT Codes List**.
2. Double-click the standard VAT Code (17.5%) to open the Edit VAT Code window.
3. In the **Rate** field, enter 20%.
4. Click **OK**.

### 3.3 Modify Invoices or Purchases created prior to 4 January 2011

Any invoices or purchases you edit will use whatever VAT rate that you have set in your company file. For example, if you changed the VAT rate to 20%, any invoices that you edit will use a VAT rate of 20%. Therefore, if you need to edit an invoice, bill, or other form created prior to 4 January, 2011, then you must recalculate the VAT manually.

1. Highlight the VAT field.
2. Press the Delete key.
3. Use QuickMath to calculate the total VAT: Type a plus sign (+). The VAT field will change to look like a ragged-topped strip of calculator tape.
  - a. Enter the amount from the first line with a standard VAT code.
  - b. Press the plus sign, and then repeat for every line with a standard VAT code.
  - c. Press the equals sign to total it.
  - d. Then type an asterisk (\*) for multiply, then apply the correct historical VAT rate — 0.175.
  - e. Press the **Enter** key to calculate the VAT amount and end QuickMath mode.
4. Remember to save the transaction when you're done.

The VAT field has now been manually recalculated.

Once you have manually recalculated the VAT, and you need to change any items or amounts on the transaction, you **MUST** manually recalculate the VAT again. Otherwise QuickBooks will automatically recalculate the total using the current rates on the VAT codes.

### 3.4 Entering historical transactions after 4 January 2011 using the old rate of 17.5%

A historical transaction is a bill, invoice, or other transaction that takes place in the past, before the VAT rate change on 4 January, 2011.

#### 3.4.1 Entering a large number of historical transactions.

If you have many historical transactions to enter with the 17.5% rate, do the following:



First, before entering the transactions, change the VAT rate to 17.5% in your VAT codes.

#### In QuickBooks 2008:

1. Go to the **Lists** menu and click **Item List**.
2. In the Item List window, click the **Type** column header to sort the list by item type.
3. Scroll to the items of type VAT Item and adjust the window so that you can see both the **Name** and the **Price** columns.
4. Look for VAT Items that have "Standard" in the Name AND that have a Price of 20. There should be two of them—one for the VAT you charge on sales and the other that you pay on purchases.

For each of these items:

- a. Double-click the item in the list.
- b. Change the VAT rate to the historical value:
  - Change the **VAT Rate (%)** or **Amt** field to 17.5%.
- c. Click **OK**.

### *In QuickBooks 2006:*

1. Go to the **Lists** menu and click **VAT Codes List**.
2. Double-click the Standard VAT Code to open the Edit VAT Code window.
3. In the **Rate** field, enter 17.5 %.
4. Click **OK**.



Second, enter all the necessary transactions with the 17.5 % VAT rate, using the standard business forms. (invoices and so on) as you normally would.

Third, when you've finished entering the historical transactions, change the VAT rate back to 20 %.

### *In QuickBooks 2008:*

1. Go to the **Lists** menu and click **Item List**.
2. In the Item List window, click the **Type** column header to sort the list by item type.
3. Scroll to the items of type VAT Item and adjust the window so that you can see both the **Name** and the **Price** columns.
4. Look for the two VAT Items that you edited earlier. These will be VAT Items that have "Standard" in the Name AND that have a Price of 20 %.
5. For each of these items:
  - a. Double-click the item in the list.
  - b. Change the VAT rates back to the new value:
    - Change the VAT Rate ( %) or Amt field to 17.5 %.
6. Click **OK**.

### *In QuickBooks 2006:*

1. From the **Lists** menu, select **VAT Codes List**.
2. Double-click the Standard VAT Code to open the Edit VAT Code window:
  - In the **Rate** field, enter 17.5 %.
  - Click **OK**.

After you change the VAT rate back to the new rate, if you need to change any items or amounts on these transactions, you **MUST** manually recalculate the VAT. Otherwise QuickBooks will automatically recalculate the total using the current rates on the VAT codes. For more details, [click here](#).

## **3.4.2 Entering a small number of historical transactions.**

If you only have a few historical transactions to enter, you can manually adjust the VAT amount on the transaction. Use the standard business forms (invoices and so on) as you normally would, but for each transaction:

1. Highlight the VAT field.
2. Press the **Delete** key.
3. Use QuickMath to calculate the total VAT:
  - a. Type a plus sign (+). The VAT field will change to look like a ragged-topped strip of calculator tape.
  - b. Enter the amount from the first line with a standard VAT code.
  - c. Press the plus sign, and then repeat for every line with a standard VAT code.
  - d. Press the equals sign to total it.
  - e. Then type an asterisk (\*) for multiply, then apply the correct historical VAT rate — 0.15.
  - f. Press the **Enter** key to calculate the VAT amount and end QuickMath mode.
4. Remember to save the transaction when you're done.

Once you have manually recalculated the VAT, and you need to change any items or amounts on the transaction, you **MUST** manually recalculate the VAT again. Otherwise QuickBooks will automatically recalculate the total using the current rates on the VAT codes. For more details, [click here](#).

## 4 QuickBooks SimpleStart

### 4.1 Checklist

Here is a checklist of steps you must follow to update your VAT to 20% by editing your Standard rate VAT code. As you follow the steps, check them off here when you've completed them

Steps	Done
Update the Standard Rate VAT Code	
Modify invoices or purchases created prior to 4 January 2011	
Entering historical transactions after 4 January 2011 using the old rate of 17.5%	

### 4.2 Update the Standard Rate VAT Code

#### In QuickBooks 2008:

We recommend that you update your VAT rates in your previous version of QuickBooks before you upgrade your company file to QuickBooks 2010. If you have not done so, however, you can still update your VAT rates as follows.

1. Go to the QuickBooks SimpleStart Company menu, click Lists, and then click Item List.
2. In the Item List window, click the **Type** column header to sort the list by item type.
3. Scroll to the items of type VAT Item and adjust the window so that you can see both the **Name** and the **Price** columns.
4. Look for VAT Items that have "Standard" in the Name AND that have a Price of 17.5%.

There should be two of them—one for the VAT you charge on sales and the other that you pay on purchases.

- a. For each of these items:
  - b. Double-click the item in the list.
  - c. Change the VAT rate to the new value: Change the **VAT Rate (%)** or **Amt** field to 20%.
  - d. Click **OK**.

#### In QuickBooks 2006:

1. Go to the QuickBooks SimpleStart Company menu, click Lists, and then click VAT Codes List.
2. Double-click each on the Standard VAT code to open the Edit Tax Code window.
3. In the **Rate** field, enter 20%.
4. Click **OK**.

### 4.3 Modify Invoices or Purchases created prior to 4 January 2011

Any invoices or purchases you edit will use whatever rate that you have set in your company file. For example, if you changed the rate to 20%, any invoices that you edit will use a rate of 20%. Therefore, if you need to edit an invoice or other form created prior to 4 January, 2011, then you must recalculate the VAT manually.

5. Use the calculator to calculate the total VAT:
  - a. Click the **Calculator** icon.
  - b. Enter the amount from the first line that uses a standard VAT code.
  - c. Press the plus sign, and then repeat for every line with a standard VAT code.
  - d. Press the equals sign to total it.

- e. Then type an asterisk (\*) for multiply, then apply the correct historical VAT rate — 0.175.
  - f. Press the equals sign to calculate the VAT amount.
  - g. Note the new calculated VAT amount.
6. Highlight the VAT field.
  7. Press the **Delete** key.
  8. Enter the newly calculated VAT amount.
  9. Click **Save & Close**.

The VAT field has now been manually recalculated.

Once you have manually recalculated the VAT, and you need to change any items or amounts on the form, you **MUST** manually recalculate the VAT again. Otherwise QuickBooks SimpleStart will automatically recalculate the total using the current rates on the VAT codes.

## 4.4 Entering historical transactions after 4 January 2011 using the old rate of 17.5%

A historical transaction is a bill, invoice, or other transaction that takes place in the past, before the VAT rate change on 4 January, 2011.

### 4.4.1 Entering a large number of historical transactions.

If you have many historical transactions to enter with the 17.5 % rate, do the following:



First, before entering the transactions, change the VAT rate to 17.5 % in your VAT codes.

#### In QuickBooks 2008:

1. Go to the QuickBooks SimpleStart **Company** menu, click **Lists**, and then click **Item List**.
2. In the Item List window, click the **Type** column header to sort the list by item type.
3. Scroll to the items of type VAT Item and adjust the window so that you can see both the **Name** and the **Price** columns.
4. Look for VAT Items that have "Standard" in the Name AND that have a Price of 20 %.

There should be two of them—one for the VAT you charge on sales and the other that you pay on purchases.

5. For each of these items:
  - a. Double-click the item in the list.
  - b. Change the VAT rate to the historical value:
    - Change the **VAT Rate (%)** or **Amt** field to 17.5 %.
  - c. Click **OK**.

#### In QuickBooks 2006:

1. Go to the QuickBooks SimpleStart **Company** menu, click **Lists**, and then click **VAT Codes List**.
2. Double-click on the Standard VAT Code to open the Edit VAT Code window.
3. In the **Rate** field, enter 17.5 %.
4. Click **OK**.



Second, enter all the necessary transactions with the 17.5 % rate, using the standard business forms (invoices and so on) as you normally would.

Third, when you've finished entering the historical transactions, change the VAT rate back to 20 %:

#### In QuickBooks 2008:

1. Go to the **Lists** menu and click **Item List**.
2. In the Item List window, click the **Type** column header to sort the list by item type.
3. Scroll to the items of type VAT Item and adjust the window so that you can see both the **Name** and the **Price** columns.

4. Look for the two VAT Items that you edited earlier. These will be VAT Items that have "Standard" in the Name AND that have a Price of 17.5%.
5. For each of these items:
  - a. Double-click the item in the list.
  - b. Change the VAT rates back to the new value:
    - Change the VAT Rate (%) or Amt field to 20%.
6. Click **OK**.

### ***In QuickBooks 2006:***

1. Go to the QuickBooks SimpleStart **Company** menu, click **Lists**, and then click **VAT Codes List**.
2. Double-click the Standard VAT Code to open the Edit VAT Code window:
  - a. In the Rate field, enter 20%.
  - b. Click **OK**.

After you change the VAT rate back to the new rate, if you need to change any items or amounts on these transactions, you **MUST** manually recalculate the VAT. Otherwise QuickBooks will automatically recalculate the total using the current rates on the VAT codes. For more details, [click here](#).

## ***4.4.2 Entering a small number of historical transactions***

If you only need to enter a few transactions that take place before 4 January, 2011, you can manually adjust the VAT amount on the transaction. Use the standard business forms (invoices and so on) as you normally would, but for each transaction:

1. Use the calculator to calculate the total VAT:
  - a. Click the **Calculator** icon.
  - b. Enter the amount from the first line that uses a Standard VAT Code.
  - c. Press the plus sign, and then repeat for every line with a Standard VAT Code.
  - d. Press the equals sign to total it.
  - e. Then type an asterisk (\*) for multiply, then apply the correct historical VAT rate – 0.175.
  - f. Press the equals sign to calculate the VAT amount.
  - g. Note the new calculated VAT amount.
2. In QuickBooks, in the transaction form, highlight the VAT field.
3. Press the **Delete** key.
4. Enter the newly calculated VAT amount.
5. Click **Save & Close**.

The VAT field has now been manually recalculated.

Once you have manually recalculated the VAT, and you need to change any items or amounts on the transaction, you **MUST** manually recalculate the VAT again. Otherwise QuickBooks SimpleStart will automatically recalculate the total using the current rates on the VAT codes. For more details, [click here](#).