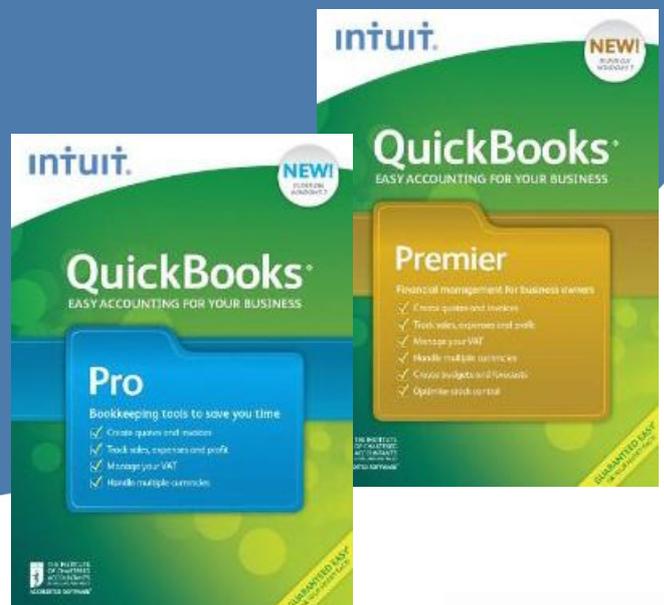


QuickBooks

.....
Get Ready for the VAT Change

4th January 2011



intuit.

 **THE INSTITUTE
OF CHARTERED
ACCOUNTANTS**
IN ENGLAND AND WALES
ACCREDITED SOFTWARE

Contents

1	Overview	3
2	Updating QuickBooks	3
2.1	Pros and Cons	3
2.1.1	Option 1	3
2.1.2	Option 2	3
3	Option 1: Create a new Standard Rate VAT code	4
3.1	Checklist	4
3.2	VAT Codes	4
3.3	Create new VAT codes	5
3.3.1	Creating the new Standard Rate VAT Code	5
3.3.2	Creating the new EC VAT Code – Acquisitions	10
3.3.3	Creating the new EC VAT Code – Services	15
3.3.4	Creating the new EC VAT Code – RC	20
3.4	Assign the new VAT codes	26
3.5	Update your Company Preferences	28
4	Option 2: Edit your existing Standard Rate VAT code	29
4.1	Checklist	29
4.1.1	Update the Standard Rate VAT Code	29
4.1.2	Modify Invoices or Purchases created prior to 4 January 2011	29
4.1.3	Entering historical transactions after 4 January 2011 using the old rate of 17.5%	30



Disclaimer:

*The Institute of Chartered Accountants in England and Wales has accredited QuickBooks 2010 Pro & Premier under the terms of the ICAEW Accreditation Scheme. Purchasers should ensure that the software, its security features and related support meet their own specific requirements, as the Institute will not be liable for any damage whatsoever, incurred by any person, occasioned by the use of the software, or any related products or services howsoever caused.

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

You can choose from two options when implementing this change in QuickBooks 2010 Pro & Premier:

Option 1: Create a new Standard Rate VAT code

Option 2: Edit your existing Standard Rate VAT Code

2.1 Pros and Cons

The Pros & Cons of each method are:

2.1.1 Option 1

Create a new Standard Rate VAT code

Positives	Negatives
Preferred HMRC solution	Not applicable to SimpleStart
Quick – With the new VAT wizard, you can set up and assign a new VAT code in under 10 minutes	
The VAT Wizard automatically creates your VAT Items and Groups for you.	
Manual VAT calculations will not be required when editing transactions created before 4 January, 2011 using 17.5% Standard Rate VAT	
Best solution for VAT reporting and audit purposes	

2.1.2 Option 2

Edit your existing Standard Rate VAT Code

Positives	Negatives
VAT reports will be correct (if applicable, manual calculations on transactions have been completed)	Not the preferred solution of HMRC
Audit possible but relies on use of VAT code description to identify % rate used in the calculation shown on the Audit Trail report	Relies on employee vigilance when entering and modifying transactions to ensure that the correct VAT % has been calculated (manual VAT calculation may have to be performed when entering transactions)
Applicable to SimpleStart	Requires a good knowledge of VAT reporting to check the new VAT codes have been set up correctly
	The VAT summary on the invoice displays the % set up in the VAT code (this will display at 20% for current and historical invoices)

3 Option 1: Create a new Standard Rate VAT code

3.1 Checklist

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

Steps	Standard	EC Goods	EC Services	EC Reverse Charge ¹
Create new VAT codes				
Enter code you have used here				
Create new VAT items	The VAT Wizard will set these up automatically			
Create new VAT groups				
Update sales items				
Update purchase items				
Update customer VAT codes (if needed)				
Update supplier VAT codes (if needed)				
Update accounts				
update default VAT code in the VAT Preferences section				
update memorised transactions				
Update progress invoices and other business forms				

3.2 VAT Codes

Here is a table of required new VAT codes. The VAT codes shown are suggested codes. You may create your own.



The EC VAT codes are not required for Cash Accounting.

VAT code	Description	VAT Return boxes	Required for Cash Accounting?
S4	Standard (20%)	Sales <1,6> VAT on Sales / Net Sales Purchases <4,7> VAT on Purchases / Net Purchases	Yes
EG4	EC Goods Std (20%)	Purchases <2,9> VAT EC Acquisitions / NET EC Acquisitions <4,7> VAT on Purchases / Net Purchases	No
ES4	EC Services Std 20%	Purchases <1,6> VAT due on Sales / Total net value of EC purchase of services <4,7> VAT on Purchases / Net Purchases	No
RC4 ¹	Reverse Charge 20%	Sales <N,6> None, Net Reverse Charge Sales Purchases <1,N> VAT on Sales, None <4,7> VAT on Purchases / Net Purchases	No

¹ Code RC4 is used for EC transactions as per Notice 735 (mobile phones and computer chips). You only need create this code if you deal with these types of transactions.

3.3 Create new VAT codes

3.3.1 Creating the new Standard Rate VAT Code

Refer to the table in section 3.2 (above) for recommended VAT codes.

1. Go to the VAT menu and click Manage VAT.
2. Click Change VAT Setup.

The screenshot shows the 'Manage VAT' window in QuickBooks Premier Accountant Edition. The 'VAT Codes and Rates' section is expanded, displaying a list of VAT codes on the left and their corresponding sales and purchase items on the right. The 'Standard' code (S) is selected. In the 'VAT Setup' section on the right, the 'Change VAT Setup' button is highlighted with a red box.

3. Select the Add a new VAT rate radio button and click Next.

The screenshot shows the 'VAT Setup Wizard' dialog box. The 'What would you like to do?' section has four radio button options. The 'Add a new VAT rate' option is selected and highlighted with a red box.

QuickBooks VAT Setup

Welcome to the VAT Setup Wizard

What would you like to do?

- Set up VAT for an additional country that QuickBooks supports. (For example, your business is registered for both UK and Irish VAT.)
- Change an existing VAT rate. (For example, the standard VAT rate increases or decreases.)
- Add a new VAT rate. (For example, HMRC introduces a new VAT rate for certain services or products.)
- Add a new tax, including a new agency and accounts. (For example, an agency other than HMRC introduces a new environmental tax.)

Your progress...

Make a selection

Select the VAT agency

Name the VAT rate

Fill in the sales rate

Fill in the purchases rate

Apply a VAT code

View a summary of changes

Back Next Finish Help Cancel

4. Check that the VAT agency is set to HMRC VAT, or select from the drop down list, and click Next.

VAT Setup Wizard

QuickBooks
VAT Setup

Which VAT agency will you pay this VAT to?

Click the drop-down arrow and select a VAT agency.

VAT agency: HMRC VAT

Your progress...

- Make a selection
- Select the VAT agency**
- Name the VAT rate
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code
- View a summary of changes

Back Next Finish Help Cancel

5. Enter a name for the item. The name is for your own use. Click Next.

VAT Setup Wizard

QuickBooks
VAT Setup

What would you like to call this VAT rate?

Enter a name for this VAT rate.

VAT name: Standard (20%)

Your progress...

- Make a selection
- Select the VAT agency
- Name the VAT rate**
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code
- View a summary of changes

Back Next Finish Help Cancel

6. Enter the applicable VAT Rate % you charge on your sales e.g. 20.

QuickBooks VAT Setup

Fill in the sales rate

I don't apply this rate to SALES.

Create a rate for sales:

What is the rate (%) when you make a sale? %

Specify which lines on your VAT return should be affected by a sale:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 6> None, Net Sales
<input type="checkbox"/>	<N, 6> None, Net EC Sales of Goods and Services
<input type="checkbox"/>	<N, 6> None, Net Reverse Charge Sales
<input type="checkbox"/>	<1, 6> VAT on Sales, Net Sales

Buttons: Back, Next, Finish, Help, Cancel

7. From the options displayed, select which VAT Return Boxes the sales must be reported in. Refer to the table in section 3.2 above, for the applicable combination/s. Click Next.

QuickBooks VAT Setup

Fill in the sales rate

I don't apply this rate to SALES.

Create a rate for sales:

What is the rate (%) when you make a sale? %

Specify which lines on your VAT return should be affected by a sale:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<N, 6> None, Net Sales
<input type="checkbox"/>	<N, 6> None, Net EC Sales of Goods and Services
<input type="checkbox"/>	<N, 6> None, Net Reverse Charge Sales
<input checked="" type="checkbox"/>	<1, 6> VAT on Sales, Net Sales

Buttons: Back, Next, Finish, Help, Cancel

8. Enter the applicable VAT Rate % you pay on your purchases e.g. 20 and Click Next.

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<4, N> VAT on Purchases, None
<input type="checkbox"/>	<4, 7> VAT on Purchases, Net Purchases

Buttons: Back, Next, Finish, Help, Cancel

9. From the options displayed, select which VAT Return Boxes the purchases must be reported in.. Refer to the table in section 3.2 above, for the applicable combination/s. Click Next.

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<4, N> VAT on Purchases, None
<input checked="" type="checkbox"/>	<4, 7> VAT on Purchases, Net Purchases

Buttons: Back, Next, Finish, Help, Cancel

10. Enter a code, up to 3 characters, that you will recognise on a form such as an invoice. Click Next.

11. A Summary of changes made is displayed. Review the changes for correctness. Click Finish.

12. You will be back at the Manage VAT screen.

13. If you need to create VAT codes for EC Goods, EC Services and Reverse Charge (for mobile phones & computer chips), please continue to section 3.3.2, or

14. If you have finished creating all your VAT codes, please continue to section 3.4 [Assign the new VAT codes](#).

3.3.2 Creating the new EC VAT Code – Acquisitions

From the Manage VAT screen:

1. Click Change VAT Setup.

VAT Accounts and Payments
Click the Pay Now icon, or View to make payments and see VAT reports.

Agency	Accounts	Amount	As Of	Pay Now	Summary Report	Detail Report	Exception Report
HMRC VAT	VAT Liability	0.00	12/11/2010		View	View	View

VAT Adjustments
Change the VAT you owe:

[Make interim VAT payments](#)
[Claim bad debt relief](#)
[Adjust for change in use of capital goods](#)
[Claim VAT paid before registration](#)
[How to adjust your VAT Return for Fuel Scale Changes](#)
[Make other adjustments](#)

VAT Codes and Rates
Click a VAT code in the table below to view its VAT rates. Click Change VAT Setup to make changes.

VAT Codes

Code	Description
E	Exempt
EGS	EC Goods Standard (17.5%)
EG2	EC Goods Zero-Rated (0%)
ESS	EC Services Standard
ESZ	EC Services Zero-Rated
N	Not Registered
R	Reduced (5%)
RC	Reverse Charge (Carousel/MTIC)
S	Standard (17.5%)
S4	Standard (20%)
Z	Zero-Rated (0%)
O	Outside the Scope of VAT

VAT Sales Items

Name	VAT Rate
Standard Sales	17.50

VAT Purchase Items

Name	VAT Rate
Standard Purchases	17.50

Your VAT 100 (UK) Return

Box	Description
1	VAT due on sales and other outputs
2	VAT due on acquisitions from other EC Member States
3	Total output VAT due
4	VAT reclaimed on purchases
5	Net VAT to pay (or reclaim)
6	Total net value of sales
6	Total net value of EC sales of goods and services
6	Total net value of EC purchases of services
6	Total net value of Reverse Charge sales
7	Total net value of purchases
8	Total net value of supplies to other EC Member States
9	Total net value of acquisitions from other EC Member States

VAT Setup
Make changes to your VAT codes and corresponding VAT rates:

View and edit VAT codes for Items, Suppliers, and Customers:

Common questions:
[Why is there a negative rate in the EC and RC codes?](#)

2. Select the Add a new VAT rate radio button and click Next.

QuickBooks VAT Setup

Welcome to the VAT Setup Wizard

Your progress...

Make a selection

Select the VAT agency

Name the VAT rate

Fill in the sales rate

Fill in the purchases rate

Apply a VAT code

View a summary of changes

What would you like to do?

Set up VAT for an additional country that QuickBooks supports.
(For example, your business is registered for both UK and Irish VAT.)

Change an existing VAT rate.
(For example, the standard VAT rate increases or decreases.)

Add a new VAT rate.
(For example, HMRC introduces a new VAT rate for certain services or products.)

Add a new tax, including a new agency and accounts.
(For example, an agency other than HMRC introduces a new environmental tax.)

3. Check that the VAT agency is set to HMRC VAT, or select from the drop down list, and click Next.

QuickBooks
VAT Setup

Which VAT agency will you pay this VAT to?

Click the drop-down arrow and select a VAT agency.

VAT agency: HMRC VAT

Your progress...

- Make a selection
- Select the VAT agency**
- Name the VAT rate
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code
- View a summary of changes

Back Next Finish Help Cancel

4. Enter a name for the item. The name is for your own use. Click Next.

QuickBooks
VAT Setup

What would you like to call this VAT rate?

Enter a name for this VAT rate.

VAT name: EC Goods Std (20%)

Your progress...

- Make a selection
- Select the VAT agency
- Name the VAT rate**
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code
- View a summary of changes

Back Next Finish Help Cancel

- Click the check box I don't apply this rate to SALES. (The other fields of the screen will disappear from view) Click Next.

QuickBooks VAT Setup Wizard

Fill in the sales rate

I don't apply this rate to SALES.

Create a rate for sales:

What is the rate (%) when you make a sale? %

Specify which lines on your VAT return should be affected by a sale:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<1, 6> VAT d

QuickBooks VAT Setup Wizard

Fill in the sales rate

I don't apply this rate to SALES.

Your progress...

Make a selection

Select the VAT agency

Name the VAT rate

Fill in the sales rate

Fill in the purchases rate

Apply a VAT code

View a summary of changes

Back Next Finish Help Cancel

- Enter the applicable VAT Rate % you pay on your EC purchased e.g. 20.

QuickBooks VAT Setup Wizard

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<4, N> VAT on Purchases, None
<input type="checkbox"/>	<4, 7> VAT on Purchases, Net Purchases

Back Next Finish Help Cancel

7. Select the radio button Show all return line combinations. The selection of VAT return combinations will expand to include EU transactions.

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<N, 6> None, Net Sales
<input type="checkbox"/>	<N, 6> None, Net EC Sales of Goods and Services
<input type="checkbox"/>	<N, 6> None, Net Reverse Charge Sales
<input type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<N, 8> None, Net EC Supplies

Buttons: Back, Next, Finish, Help, Cancel

8. From the options displayed, select which VAT Return Boxes the purchases must be reported in. Refer to the table in section 3.2 above, for the applicable combination/s. Click Next.

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<2, 9> VAT EC Acquisitions, Net EC Acquisitions
<input type="checkbox"/>	<4, N> VAT on Purchases, None
<input checked="" type="checkbox"/>	<4, 7> VAT on Purchases, Net Purchases
<input type="checkbox"/>	<4, 9> VAT on Purchases, Net EC Acquisitions

Buttons: Back, Next, Finish, Help, Cancel

9. Enter a code, up to 3 characters, that you will recognise on a form such as an invoice. Click Next.

10. A Summary of changes made is displayed. Review the changes for correctness. Click Finish.

11. You will be back at the Manage VAT screen.
12. If applicable, continue to section 3.3.3 and/or section 3.3.4., or
13. If you have finished creating all your VAT codes, please continue to section 3.4 [Assign the new VAT codes.](#)

3.3.3 Creating the new EC VAT Code – Services

This is used for services supplied from abroad. Notice 741 refers.

From the Manage VAT screen:

1. Click Change VAT Setup.

The screenshot shows the 'Manage VAT' screen in QuickBooks Premier Accountant Edition. The interface is divided into several sections:

- VAT Accounts and Payments:** A table showing VAT liability for HMRC VAT as of 12/11/2010.
- VAT Adjustments:** A section for adjusting VAT, with a red box around the 'Adjust VAT Owing' button.
- VAT Codes and Rates:** A section for managing VAT codes and rates. It includes:
 - VAT Codes:** A list of codes (E, E05, EGZ, ESS, ESZ, N, R, RC, S, S4, Z, O) and their descriptions.
 - VAT Sales Items:** A table with 'Standard Sales' at a 17.50% rate.
 - VAT Purchase Items:** A table with 'Standard Purchases' at a 17.50% rate.
 - Your VAT 100 (UK) Return:** A table with 9 rows detailing VAT components like sales, purchases, and EC sales/purchases.
- VAT Setup:** A section for making changes to VAT codes and rates, with a red box around the 'Change VAT Setup' button.

2. Select the Add a new VAT rate radio button and click Next.

The screenshot shows the 'VAT Setup Wizard' dialog box. It is titled 'Welcome to the VAT Setup Wizard' and asks 'What would you like to do?'. The options are:

- Set up VAT for an additional country that QuickBooks supports. (For example, your business is registered for both UK and Irish VAT.)
- Change an existing VAT rate. (For example, the standard VAT rate increases or decreases.)
- Add a new VAT rate. (For example, HMRC introduces a new VAT rate for certain services or products.)
- Add a new tax, including a new agency and accounts. (For example, an agency other than HMRC introduces a new environmental tax.)

The 'Add a new VAT rate' option is highlighted with a red box. On the left side, there is a 'Your progress...' section with a 'Make a selection' step. At the bottom, there are buttons for 'Back', 'Next', 'Finish', 'Help', and 'Cancel'.

3. Check that the VAT agency is set to HMRC VAT, or select from the drop down list, and click Next

QuickBooks
VAT Setup

Which VAT agency will you pay this VAT to?

Click the drop-down arrow and select a VAT agency.

VAT agency HMRC VAT

Your progress...

- Make a selection
- Select the VAT agency**
- Name the VAT rate
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code
- View a summary of changes

Back Next Finish Help Cancel

4. Enter a name for the item. The name is for your own use. Click Next

QuickBooks
VAT Setup

What would you like to call this VAT rate?

Enter a name for this VAT rate.

VAT name EC Services Std 20%

Your progress...

- Make a selection
- Select the VAT agency
- Name the VAT rate**
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code
- View a summary of changes

Back Next Finish Help Cancel

- Click the check box I don't apply this rate to SALES. (The other fields of the screen will disappear from view) Click Next

QuickBooks VAT Setup Wizard

Fill in the sales rate

I don't apply this rate to SALES.

What is the rate (%) when you make a sale? %

Specify which lines on your VAT return should be affected by a sale:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<1, 6> VAT d

QuickBooks VAT Setup Wizard

Fill in the sales rate

I don't apply this rate to SALES.

What is the rate (%) when you make a sale? %

Specify which lines on your VAT return should be affected by a sale:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<N, 6> None
<input type="checkbox"/>	<1, 6> VAT d

- Enter the applicable VAT Rate % you pay on your EC purchased e.g.. 20

QuickBooks VAT Setup Wizard

Fill in the purchases rate

I don't apply this rate to PURCHASES.

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<4, N> VAT on Purchases, None
<input type="checkbox"/>	<4, 7> VAT on Purchases, Net Purchases

7. Select the radio button Show all return line combinations. The selection of VAT return combinations will expand to include EU transactions.

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<N, 6> None, Net Sales
<input type="checkbox"/>	<N, 6> None, Net EC Sales of Goods and Services
<input type="checkbox"/>	<N, 6> None, Net Reverse Charge Sales
<input type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<N, 8> None, Net EC Supplies

Buttons: Back, Next, Finish, Help, Cancel

8. From the options displayed, select which VAT Return Boxes the purchases must be reported in. Refer to the table in section 3.2 above, for the applicable combination/s. Click Next

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<1, 6> VAT on Sales, Net Sales
<input checked="" type="checkbox"/>	<1, 6> VAT on Sales, Net EC Purchases of Services
<input type="checkbox"/>	<1, 8> VAT on Sales, Net EC Supplies
<input type="checkbox"/>	<2, N> VAT EC Acquisitions, None
<input type="checkbox"/>	<2, 7> VAT EC Acquisitions, Net Purchases

Buttons: Back, Next, Finish, Help, Cancel

9. Enter a code, up to 3 characters, that you will recognise on a form such as an invoice. Click Next

QuickBooks
VAT Setup

Assign a VAT code

Please enter a 1- to 3- letter code for this rate. You'll use this VAT code to apply VAT to items you buy or sell.

VAT code

Your progress...

- Make a selection
- Select the VAT agency
- Name the VAT rate
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code**

View a summary of changes

Back Next Finish Help Cancel

10. A Summary of changes made is displayed. Review the changes for correctness. Click Finish.

QuickBooks
VAT Setup

Summary of changes made

You've successfully updated the information shown below. Review your changes and click Back to modify it or click Finish to complete this task.

VAT Name: EC Services Std 20% **Agency Name:** HMRC VAT

VAT Codes

Code	Description
E54	EC Services Std 2...

VAT Sales Items

Name	VAT Rate	VAT Return Line
There are no VAT sales items.		

VAT Purchase Items

Name	VAT Rate	VAT Return Line
EC Services St <1,6> Purchases	-20.00	<1, 6> VAT on Sales,
EC Services St <4,7> Purchases	20.00	<4, 7> VAT on Purcha

Back Next Finish Help Cancel

11. You will be back at the Manage VAT screen.
12. If applicable, continue to section 3.3.4, or
13. If you have finished creating all your VAT codes, please continue to section 3.4 [Assign the new VAT codes](#).

3.3.4 Creating the new EC VAT Code – RC

This is used for EC transactions relating to computer chips and mobile phones. Notice 735 refers.

From the Manage VAT screen:

1. Click Change VAT Setup.

The screenshot shows the 'Manage VAT' screen in QuickBooks Premier Accountant Edition. The interface is divided into several sections:

- VAT Accounts and Payments:** A table showing VAT liability for HMRC VAT as of 12/11/2010.
- VAT Adjustments:** A section with links for 'Make interim VAT payments', 'Claim bad debt relief', 'Adjust for change in use of capital goods', 'Claim VAT paid before registration', 'How to adjust your VAT Return for Fuel Scale Charges', and 'Make other adjustments'. There is an 'Adjust VAT Owing' button.
- VAT Codes and Rates:** A section with a 'Change VAT Setup' button highlighted in a red box. It includes:
 - VAT Codes:** A table with columns 'Code' and 'Description'. Codes include E (Exempt), EG5 (EC Goods Standard (17.5%)), EGZ (EC Goods Zero-Rated (0%)), ESS (EC Services Standard), ESZ (EC Services Zero-Rated), N (Not Registered), R (Reduced (5%)), RC (Reverse Charge (Carousel/MTIC)), S (Standard (17.5%)), SH (Standard (20%)), Z (Zero-Rated (0%)), and O (Outside the Scope of VAT).
 - VAT Sales Items:** A table with columns 'Name' and 'VAT Rate'. It shows 'Standard Sales' with a rate of 17.50.
 - VAT Purchase Items:** A table with columns 'Name' and 'VAT Rate'. It shows 'Standard Purchases' with a rate of 17.50.
 - Your VAT 100 (UK) Return:** A table with columns 'Box' and 'Description'. It lists various boxes from 1 to 9, including 'VAT due on sales and other outputs', 'VAT due on acquisitions from other EC Member States', 'Total output VAT due', 'VAT reclaimed on purchases', 'Net VAT to pay (or reclaim)', 'Total net value of sales', 'Total net value of EC sales of goods and services', 'Total net value of EC purchases of services', 'Total net value of Reverse Charge sales', 'Total net value of purchases', 'Total net value of supplies to other EC Member States', and 'Total net value of acquisitions from other EC Member States'.
- VAT Setup:** A section with the text 'Make changes to your VAT codes and corresponding VAT rates:' and a 'Change VAT Setup' button highlighted in a red box. Below it is an 'Assign VAT Codes' button and a 'Common questions:' section with a link 'Why is there a negative rate in the EC and RC codes?'.

2. Select the Add a new VAT rate radio button and click Next.

The screenshot shows the 'VAT Setup Wizard' dialog box. The title is 'Welcome to the VAT Setup Wizard'. The main content area is titled 'What would you like to do?' and contains four radio button options:

- Set up VAT for an additional country that QuickBooks supports. (For example, your business is registered for both UK and Irish VAT.)
- Change an existing VAT rate. (For example, the standard VAT rate increases or decreases.)
- Add a new VAT rate. (For example, HMRC introduces a new VAT rate for certain services or products.)
- Add a new tax, including a new agency and accounts. (For example, an agency other than HMRC introduces a new environmental tax.)

The 'Add a new VAT rate' option is highlighted with a red box. On the left side, there is a 'Your progress...' section with a 'Make a selection' step. At the bottom, there are buttons for 'Back', 'Next', 'Finish', 'Help', and 'Cancel'.

3. Check that the VAT agency is set to HMRC VAT, or select from the drop down list, and click Next.

QuickBooks
VAT Setup

Which VAT agency will you pay this VAT to?

Click the drop-down arrow and select a VAT agency.

VAT agency: HMRC VAT

Your progress...

- Make a selection
- Select the VAT agency**
- Name the VAT rate
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code
- View a summary of changes

Back Next Finish Help Cancel

4. Enter a name for the item. The name is for your own use. Click Next.

QuickBooks
VAT Setup

What would you like to call this VAT rate?

Enter a name for this VAT rate.

VAT name: Reverse Charge 20%

Your progress...

- Make a selection
- Select the VAT agency
- Name the VAT rate**
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code
- View a summary of changes

Back Next Finish Help Cancel

5. Enter the applicable VAT Rate % you charge on your sales e.g. 0 Click Next.

QuickBooks VAT Setup

Fill in the sales rate

I don't apply this rate to SALES.

Create a rate for sales:

What is the rate (%) when you make a sale? %

Specify which lines on your VAT return should be affected by a sale:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 6> None, Net Sales
<input type="checkbox"/>	<N, 6> None, Net EC Sales of Goods and Services
<input type="checkbox"/>	<N, 6> None, Net Reverse Charge Sales
<input type="checkbox"/>	<1, 6> VAT on Sales, Net Sales

Buttons: Back, Next, Finish, Help, Cancel

6. Select the radio button Show all return line combinations. The selection of VAT return combinations will expand to include EU transactions.

QuickBooks VAT Setup

Fill in the sales rate

I don't apply this rate to SALES.

Create a rate for sales:

What is the rate (%) when you make a sale? %

Specify which lines on your VAT return should be affected by a sale:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 6> None, Net Sales
<input type="checkbox"/>	<N, 6> None, Net EC Sales of Goods and Services
<input type="checkbox"/>	<N, 6> None, Net Reverse Charge Sales
<input type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<N, 8> None, Net EC Supplies

Buttons: Back, Next, Finish, Help, Cancel

7. From the options displayed, select which VAT Return Boxes the purchases must be reported in. Refer to the table in section 3.2 above, for the applicable combination/s. Click Next.

QuickBooks VAT Setup

Fill in the sales rate

I don't apply this rate to SALES.

Create a rate for sales:

What is the rate (%) when you make a sale? %

Specify which lines on your VAT return should be affected by a sale:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<N, 6> None, Net Sales
<input type="checkbox"/>	<N, 6> None, Net EC Sales of Goods and Services
<input checked="" type="checkbox"/>	<N, 6> None, Net Reverse Charge Sales
<input type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<N, 8> None, Net EC Supplies

Buttons: Back, Next, Finish, Help, Cancel

8. Enter the applicable VAT Rate % you charge on your sales e.g. 20 Click Next.

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input checked="" type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<4, N> VAT on Purchases, None
<input type="checkbox"/>	<4, 7> VAT on Purchases, Net Purchases

Buttons: Back, Next, Finish, Help, Cancel

9. Select the radio button Show all return line combinations. The selection of VAT return combinations will expand to include EU transactions.

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<N, 6> None, Net Sales
<input type="checkbox"/>	<N, 6> None, Net EC Sales of Goods and Services
<input type="checkbox"/>	<N, 6> None, Net Reverse Charge Sales
<input type="checkbox"/>	<N, 7> None, Net Purchases
<input type="checkbox"/>	<N, 8> None, Net EC Supplies

Buttons: Back, Next, Finish, Help, Cancel

10. From the options displayed, select which VAT Return Boxes the purchases must be reported in. Refer to the table in section 3.2 above, for the applicable combination/s. Click Next.

QuickBooks VAT Setup

Fill in the purchases rate

I don't apply this rate to PURCHASES.

Create a rate for purchases:

What is rate (%) when you make a purchase? %

Specify which lines on your VAT return should be affected by a purchase:

Show domestic return line combinations only. Show all return line combinations.

Select	Description
<input type="checkbox"/>	<N, 8> None, Net EC Supplies
<input type="checkbox"/>	<N, 9> None, Net EC Acquisitions
<input checked="" type="checkbox"/>	<1, N> VAT on Sales, None
<input type="checkbox"/>	<1, 6> VAT on Sales, Net Sales
<input type="checkbox"/>	<1, 6> VAT on Sales, Net EC Purchases of Services
<input type="checkbox"/>	<1, 7> VAT on Purchases, Net Sales
<input checked="" type="checkbox"/>	<4, 7> VAT on Purchases, Net Purchases
<input type="checkbox"/>	<4, 9> VAT on Purchases, Net EC Acquisitions

Buttons: Back, Next, Finish, Help, Cancel

11. Enter a code, up to 3 characters, that you will recognise on a form such as an invoice. Click Next.

QuickBooks
VAT Setup

Assign a VAT code

Please enter a 1- to 3- letter code for this rate. You'll use this VAT code to apply VAT to items you buy or sell.

VAT code

Your progress...

- Make a selection
- Select the VAT agency
- Name the VAT rate
- Fill in the sales rate
- Fill in the purchases rate
- Apply a VAT code**
- View a summary of changes

Back Next Finish Help Cancel

12. A Summary of changes made is displayed. Review the changes for correctness. Click Finish.

QuickBooks
VAT Setup

Summary of changes made

You've successfully updated the information shown below. Review your changes and click Back to modify it or click Finish to complete this task.

VAT Name: Reverse Charge 20% **Agency Name:** HMRC VAT

VAT Codes

Code	Description
RC4	Reverse Charge 20%

VAT Sales Items

Name	VAT Rate	VAT Return Line
Reverse Charge <N,6> Sales	0.00	<N, 6> None, Net EC Sal

VAT Purchase Items

Name	VAT Rate	VAT Return Line
Reverse Charge <1,N> Purchases	-20.00	<1, N> VAT on Sales
Reverse Charge <4,7> Purchases	20.00	<4, 7> VAT on Purc

Back Next Finish Help Cancel

13. You will be back at the Manage VAT screen.

You will now have completed creating your new VAT Codes. You will need to assign the new VAT codes. We recommend that you only assign the VAT codes when you need to process transactions at the new 20% rate.

3.4 Assign the new VAT codes

After you have created your new VAT codes, you will need to assign each new code to your sales items, purchase items, customers, suppliers and accounts. You can either do this following the creation of your new VAT code/s, or you can come back to this step later.

We recommend that you only assign the VAT codes when you need to process transactions at the new 20% rate.

Using the check list in section 3.1, simply check each VAT code once you have assigned it. That way you'll know that you've updated them all

To access this screen go to the VAT menu and click Manage VAT.

1. Click Assign VAT Codes.

VAT Accounts and Payments
Click the Pay Now icon, or View to make payments and see VAT reports.

Agency	Accounts	Amount	As Of	Pay Now	Summary Report	Detail Report	Exception Report
HMRC VAT	VAT Liability	0.00	12/11/2010		View	View	View

VAT Adjustments
Change the VAT you owe:

[Make interim VAT payments](#)
[Claim bad debt relief](#)
[Adjust for changes in use of capital goods](#)
[Claim VAT paid before registration](#)
[How to adjust your VAT Return for Fuel Scale Charges](#)
[Make other adjustments](#)

VAT Codes and Rates
Click a VAT code in the table below to view its VAT rates. Click Change VAT Setup to make changes.

Code	Description
E	Exempt
EGS	EC Goods Standard (17.5%)
EGZ	EC Goods Zero-Rated (0%)
ESS	EC Services Standard
ESZ	EC Services Zero-Rated
N	Not Registered
R	Reduced (5%)
RC	Reverse Charge (Carouse/MTIC)
S	Standard (17.5%)
S4	Standard (20%)
Z	Zero-Rated (0%)
O	Outside the Scope of VAT

Name	VAT Rate
Standard Sales	17.50

VAT Sales Items

Name	VAT Rate
Standard Purchases	17.50

VAT Purchase Items

Box	Description
1	VAT due on sales and other outputs
2	VAT due on acquisitions from other EC Member
3	Total output VAT due
4	VAT reclaimed on purchases
5	Net VAT to pay (or reclaim)
6	Total net value of sales
6	Total net value of EC sales of goods and service
6	Total net value of EC purchases of services
6	Total net value of Reverse Charge sales
7	Total net value of purchases
8	Total net value of supplies to other EC Member
9	Total net value of acquisitions from other EC Me

Your VAT 100 (UK) Return

View and edit VAT codes for Items, Suppliers, and Customers:

Common questions:
[Why is there a negative rate in the EC and EC codes?](#)

2. Click on Bulk Change.

Assign VAT Codes

Change VAT codes for: OR

Name	Currency	VAT Code
HM Revenue &...	GBP	
HMRC VAT	GBP	

3. A message is displayed recommending a backup. Click Yes to backup your files.
4. After the backup is completed, the VAT Bulk Assignment screen is displayed.

Select each list you want to update. Then choose the VAT code you want to change and the one you are changing it to. Click Next to continue.

Sales Items
Change all sales items with the VAT code [] to []

Purchase Items
Change all purchase items with the VAT code [] to []

Customers
Change all customers with the VAT code [] to []

Suppliers
Change all suppliers with the VAT code [] to []

Accounts
Change all accounts with the VAT code [] to []

On the next window, QuickBooks asks you to confirm the changes.

Cancel Next

5. Select each list that you want to change by clicking on the checkbox.
6. From the drop down list, select the VAT code to be changed from.
7. From the next drop down list, select the VAT code you are changing it to.
8. When you have finished selecting the VAT codes, your screen will look similar to the example shown (this will depend on your particular options).

Select each list you want to update. Then choose the VAT code you want to change and the one you are changing it to. Click Next to continue.

Sales Items
Change all sales items with the VAT code S to S4

Purchase Items
Change all purchase items with the VAT code S to S4

Customers
Change all customers with the VAT code S to S4

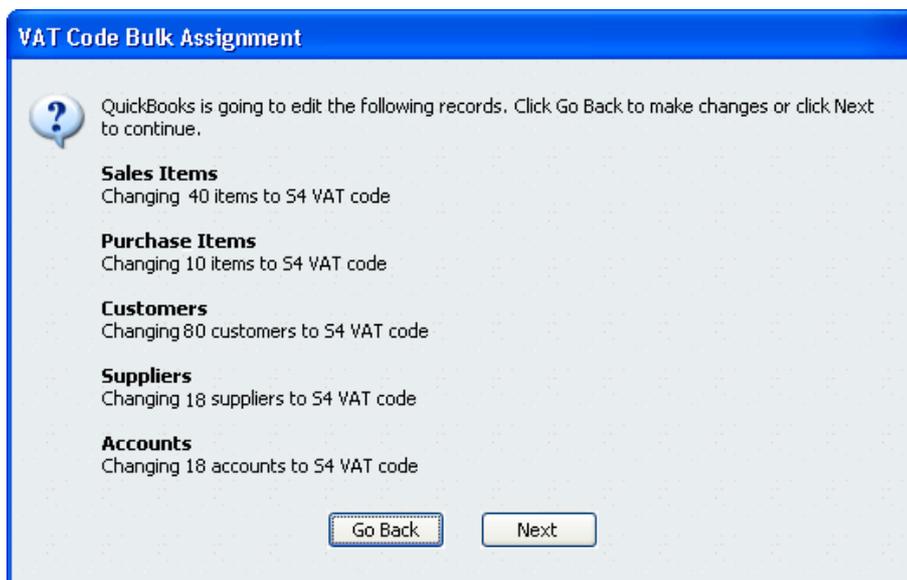
Suppliers
Change all suppliers with the VAT code S to S4

Accounts
Change all accounts with the VAT code S to S4

On the next window, QuickBooks asks you to confirm the changes.

Cancel Next

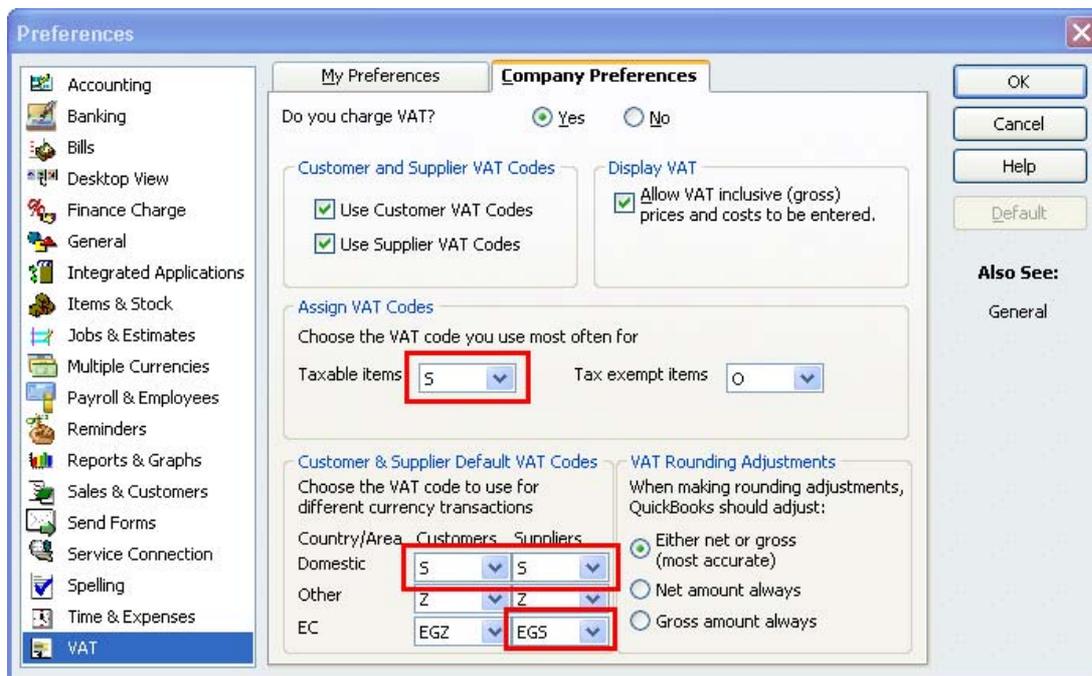
9. Click Next.
10. A screen is displayed showing a summary of the changes to be completed. If any changes are required, click Go Back to return to the previous screen and correct. If the changes are correct, click Next.



11. A summary of the changes made is displayed. Review the changes for correctness. Click OK.
 12. Click Close.
 13. You will return to the Manage VAT screen.
 14. Repeat this process for all the new VAT codes created.
- Historical invoices will not be affected, they will still use the 17.5 % VAT rate.

3.5 Update your Company Preferences

1. Go to the Edit menu and click Preferences.
2. In the Preferences window, click VAT in the list on the left.
3. Click the Company Preferences tab.
4. Update the default VAT codes where required (your new 20 % VAT code).
5. Click OK.



4 Option 2: Edit your existing Standard Rate VAT code

4.1 Checklist

Complete the following checklist of required changes:

- 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: EC codes, items, and groups are not required for cash accounting.

4.1.1 Update the Standard Rate VAT Code

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 %.

4.1.2 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.

4.1.3 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.

Entering a large number of historical transactions.

If you have many historical transactions to enter with the 17.5% VAT rate, do the following: First, before entering the transactions, change the VAT rate to 17.5% in your VAT codes:

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:
- c) Change the **VAT Rate (%)** or **Amt** field to 17.5%.
- d) 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%.

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:
6. Double-click the item in the list.
7. Change the VAT rates back to the new value:
8. Change the VAT Rate (%) or Amt field to 17.5%.
9. 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](#).

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 — 0.175.
 - 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](#).