

File Note Advice Sheet 59
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Date Created 25/11/08

Please give feed-
back especially if
this is NOT helpful!

Subject: VAT at 15% for 13 months

VAT at 15% for 13 months from December 1st 2008

There are two perfectly valid ways of dealing with this change. Please make sure you understand the drawbacks to the "simple" method before deciding which one to apply.

If you use the simple method you will be *changing* the standard rate. If you use the advanced method you will be *adding* a new VAT rate.

The advanced method is a little more work in setting up. The disadvantage of the simple method is that any standard VAT rated purchase created before December 1st but entered after then will default to the new rate. Perhaps more annoying is that if you make any modifications to a transaction before December 1st the software will query you as to whether the VAT is right. These disadvantages do not apply to the advanced method which maintains two rates, the old and the new.

We recommend the advanced method.

Whichever you choose rest assured that when you change VAT rates NO retrospective changes will happen.

If you are using the flat rate VAT scheme, see the end of this advice sheet.

When the rate reverts, planned for January 1st 2010, you will go back to using the old rate (if you've used the "advanced" method) or reverse the procedure (if you've used the "simple" method).

Simple method

Click on Tools > Options

Click on the System tab

Click on Vat Rates

Change the "Standard" rate to 0.15

Close the Vat Rates form

Close the Options form

Now continue using the normal codes for your standard VAT rates (by default ss and ps).

Repeat this for each separate Simply Books database you have (if this applies to you, you will see "Select A Business" when you start Simply Books).

VAT Rates		
Name	Rate	EC
Standard	0.175 0.15	
Reduced	0.05	
Exempt	0	
Zero	0	
Other EC State	0	✓
Not Vat Registered	0	
Outside VAT Scope	0	
	0	

Advanced method

Step 1

Click on Tools > Options
 Click on the System tab
 Click on Vat Rates
 In the bottom line enter: Standard 15, 0.15 (and leave the EC box un-ticked)
 Close the Vat Rates form
 Close the Options form

Step 2A

Next you will create a new sales VAT code and a new purchase VAT code.

Click on View > Other Accounts
 Click on File > New
 Name the account Vat Standard 15
 Give it a short name s15
 Click on the sub-category Vat Rate On Sale (*Vat Rate On Purchase* when you repeat this for Step 3)

Step 2B

Click on the Vat tab
 Click on Standard 15
 Click on OK, closing the form

Step 3

Repeat steps 2A and 2B to create a new 15% purchase VAT code.

Now, entering transactions, use s15 and p15 for 15% VAT, and ss and ps for 17.5% VAT.

Repeat steps 2A, 2B and 3 for each business maintained in the same database (if this applies to you, you will see the Work With tool on the tool bar).

Repeat step 1, 2A, 2B and 3 for each separate Simply Books database you have (if this applies to you, you will see "Select A Business" when you start Simply Books).

VAT Rates		
Name	Rate	EC
Standard	0.175	
Reduced	0.05	
Exempt	0	
Zero	0	
Other EC State	0	✓
Not Vat Registered	0	
Outside VAT Scope	0	
Standard 15	0.15	
	0	

Step 1

Account Properties				
Name and Type	Other details	Notes	Vat	Stats
Name				
Vat Standard 15				
Short Name		Business		
s15		your business		
Main Category		Sub Category		
Bank accounts etc		Vat rate on sale		
Expense categories		Vat rate on purchase		
Income categories		Discount rate on sale		
Customer accounts		Discount rate on purchase		
Supplier accounts		Tax credit		
Assets & Liabilities		Unknown		
Other accounts				
			OK	Cancel

Step 2A

Account Properties				
Name and Type	Other details	Notes	Vat	Stats
Vat Rates				
Standard		0.175		
Reduced		0.05		
Exempt		0		
Zero		0		
Other EC State		0		
Not Vat Registered		0		
Outside VAT Scope		0		
Standard 15		0.15		
			OK	Cancel

Step 2B

Flat rate - if you use the flat rate scheme

You'll know if you use the flat rate scheme because your VAT rate will already be somewhat different from the standard 17.5%.

See Annex E - Flat Rate Scheme - New Percentage Rates
www.hmrc.gov.uk/pbr2008/vat-guide-det.pdf

If you are using the Flat Rate Scheme you may be doing it in one of two ways.

You may have decided effectively to not use the VAT facilities of Simply Books. In this case you have been entering transactions with gross figures as though you are not VAT registered. When you need to make a return you have been using the reports to calculate your turnover and apply the relevant percentage to the total figure.

In this case there is nothing to do in Simply Books.

Alternatively you may have been using the full VAT facilities of Simply Books as per Advice Sheet 40. With this approach you use a formula to get from the "flat" rate (a gross to net calculation) to the equivalent "normal" rate (a net to gross rate) and you use the latter in the Simply Books VAT rate table. The equivalence table from Advice Sheet 40 is reproduced below.

Follow either the "simple" or "advanced" method using the appropriate values.

Trade Sector Flat Rate	Use the following rate in Simply Books
(gross to net calculation)	(net to gross calculation)
10%	0.11111
11%	0.12360
12%	0.13636
13%	0.14943
14%	0.16279
15%	0.17647
16%	0.19048
17%	0.20482
If you have some other rate R ...	
R	$R/(100-R)$