



Sample Upgrade – Joan’s Grangeworth Kitchens Basic Company

2 April, 2008

(Upgrading a Cash VAT file to R3 or higher, or File VAT never used)

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Company Background

Joan runs a kitchen business in London. She used QuickBooks 2006 (Pro version) and is upgrading to QuickBooks 2008.

She reports VAT on a cash basis. Joan used the Write Cheques window to create a VAT payment cheque to HRMC for the period ending 29 February, 2008. She continued to use QuickBooks 2006 until she upgraded on 2 April, 2008.

Before Upgrading

Create Trial Balance report

Joan creates a cash-based Trial Balance report for 2 April, 2008 (the date of her upgrade).

Grangeworth Kitchens Basic		
Trial Balance		
Cash Basis	As of April 2, 2008	Before Upgrade
	Apr 2, 2008	
	Debit	Credit
Bank		◀10,173.07
Accounts Receivable	88.89	
Stock Asset	3,775.00	
Undeposited Funds	10,058.76	
Accounts Payable		708.83
VAT Control		85.77
Retained Earnings		<u>2,954.98</u>
TOTAL	<u>13,922.65</u>	<u>13,922.65</u>

Find the date of the last VAT return sent to HM Revenue & Customs

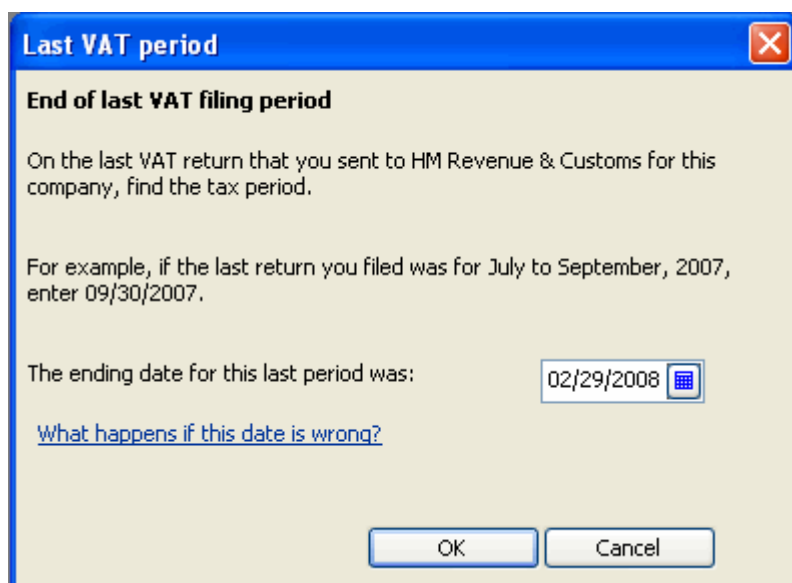
Joan will need to enter the date of the last VAT return sent to HM Revenue & Customs when she upgrades to QuickBooks 2008.

During Upgrade

Joan installs QuickBooks 2008 and checks for available updates.

When upgrading to the QuickBooks 2008

When upgrading her QuickBooks 2006 company file to the latest QuickBooks 2008 product update, a window titled "Last VAT period" is displayed. Joan enters the date of the last VAT return she sent to HM Revenue & Customs.



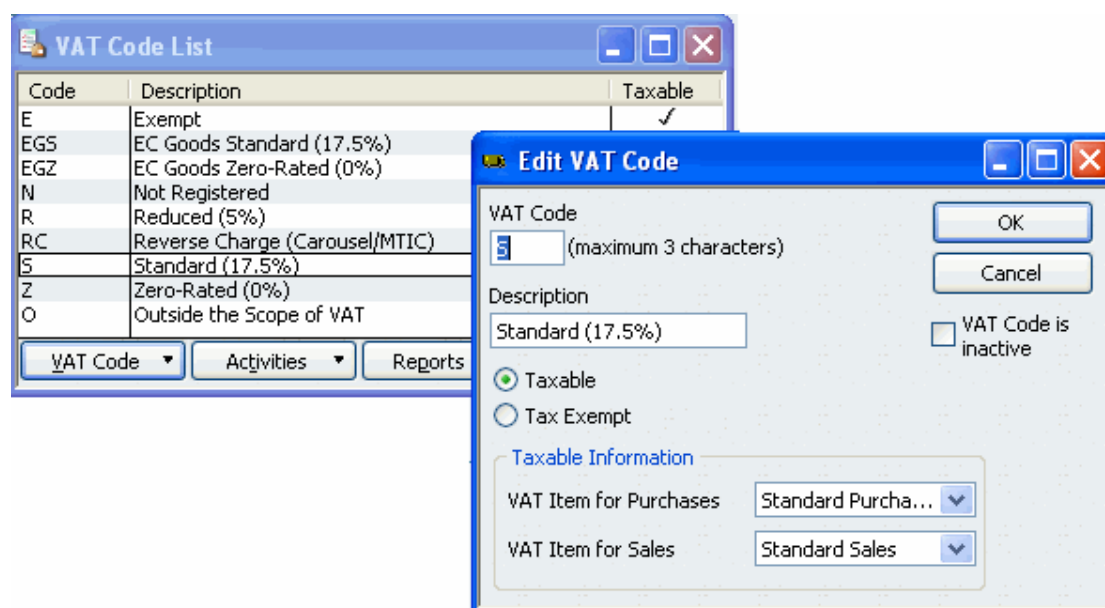
After Upgrading

Joan creates a cash-based Trial Balance report for 2 April, 2008 (the date of her upgrade). She confirms that the balance in her VAT account is the same as before the upgrade. (If Joan's balance was not the same after upgrading, she would have called **0845 606 2161** for QuickBooks Support).

Next, Joan checks her VAT codes and VAT items.

VAT Codes and Items

Joan reviews her VAT codes. She finds that each code now links to VAT items. These items calculate the amount of VAT and report it on a specific line of the VAT return.



Because each VAT item represents a single line of the VAT return, there are a lot of VAT items in the Item List. This also means that there are separate VAT items for sales and for purchases. VAT collected on sales is always reported on its own line. VAT on purchases has a separate line on the VAT return.

EC VAT

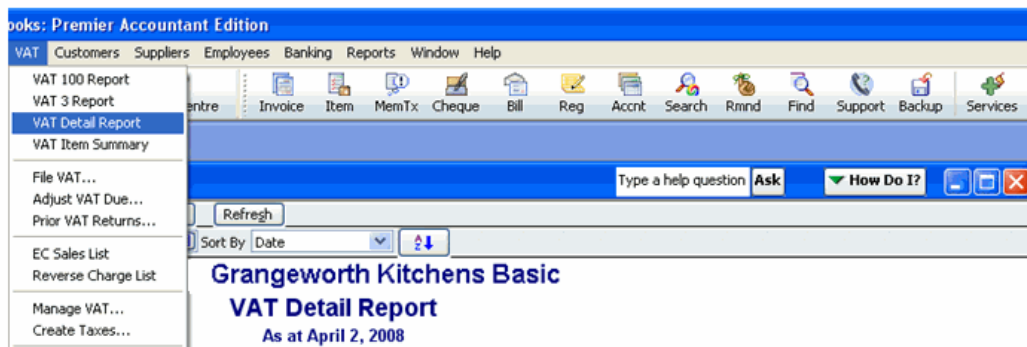
Joan reviews her VAT codes and notices there are EC VAT codes in the VAT Code List. Because Joan tracks VAT on a [cash-basis](#), she cannot use EC VAT and decides to make these VAT codes inactive. In the VAT Code List, Joan right-clicks on an EC VAT code and selects Make VAT Code Inactive.

[Why shouldn't I use the EC VAT codes in QuickBooks if I track VAT on a cash basis?](#)

Create VAT Reports and Classify Uncategorized Tax Amounts

VAT Detail report

Just after upgrading, Joan creates a VAT Detail report sorted by Date.



Uncategorised Tax Amounts	-156.06
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Uncategorised Tax Amounts

Uncategorised amounts are not included on any return line as QuickBooks doesn't know which lines they belong to.

In the File VAT window, the total owing or refundable is correct and takes the uncategorised amount into account.

However, to ensure you are reporting the correct amounts in the VAT Return boxes, you should [categorise any uncategorised tax amounts](#) using VAT Adjustments.

VAT Line	Amount
Box 1 VAT due on sales and other outputs	260.82
Box 2 VAT due on acquisitions from other EC Member States	0.00
Box 3 Total output tax due	260.82
Box 4 VAT reclaimed on purchases	18.99
Box 5 Net VAT to pay (or reclaim)	241.83
Box 6 Total net value of sales	1,490.43
Box 7 Total net value of purchases	1,143.08
Box 8 Total net value of supplies to other EC Member States	0.00
Box 9 Total net value of acquisitions to other EC Member States	0.00
Uncategorised Tax Amounts	-156.06

You owe VAT of \$85.77 to HM Revenue & Customs.

Before you file

Do you need to make an adjustment?
Use the adjust button if you need to increase or decrease the VAT amounts.
 [When do I need to make a VAT adjustment?](#)

Do you want to print your VAT return?
You can print your VAT return now or print after you file your VAT return.
 [Tell me more about printing my VAT return](#)

Where did these uncategorised tax amounts come from?

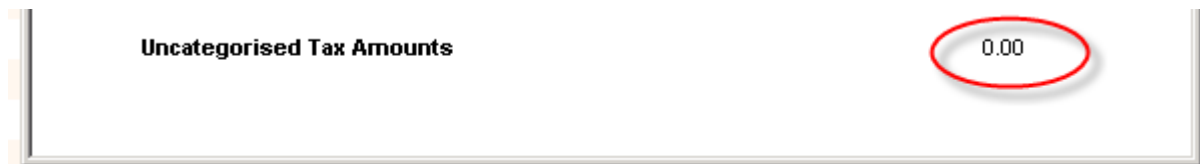
During upgrade, QuickBooks 2008 adds up ALL tax on sales and all tax on purchases, as of the date you entered as the Last VAT period, and then creates a general journal entry. If there is any difference between the tax on sales and tax on purchase amounts, and the Accounts Payable or Accounts Receivable amounts, an uncategorised tax amount is created.

This uncategorised tax amount may be due to one or more factors, and is very common. For example, Joan entered a purchase dated before 29 February, 2008 (her last filed date) using the VAT Control account instead of the VAT Code.

Resolve Uncategorized Tax Amounts

Joan follows the instructions in [this FAQ](#) to resolve her uncategorised tax amounts.

After following the instructions in the FAQ, Joan's reports and the File VAT window have no uncategorised amounts.



Down to Business – using your upgraded file

Joan is now ready to use her upgraded company file.

In QuickBooks 2008, the way you track and file VAT on a day-to-day basis is now the same whether you report VAT on a cash or an invoice (accrual) basis.

From now on, Joan always uses a VAT code (e.g. on transaction forms) or a VAT item (e.g. for VAT adjustments or journal entries) for every transaction that involves the VAT liability account. That way, she doesn't create any new uncategorised VAT amounts in her upgraded company file.

Joan also makes sure to **use the File VAT feature** to file her returns in QuickBooks before she fills out her personalised paper return.

For an overview of how VAT works in QuickBooks 2008, see [Improved VAT Handling in QuickBooks 2008](#).

For more information on VAT tracking and VAT features, see the in-product Help in QuickBooks.