Table of Contents

Introduction

Value Added Tax (VAT) is a tax on the final consumption of certain goods and services. Consult your accountant or government agency about the rules and regulations for collecting and paying VAT in your area.

Are you looking for a brief overview of handling VAT in QuickBooks? If so, read the [Overview of Handling VAT in QuickBooks 2008](#).

Overview of new VAT model
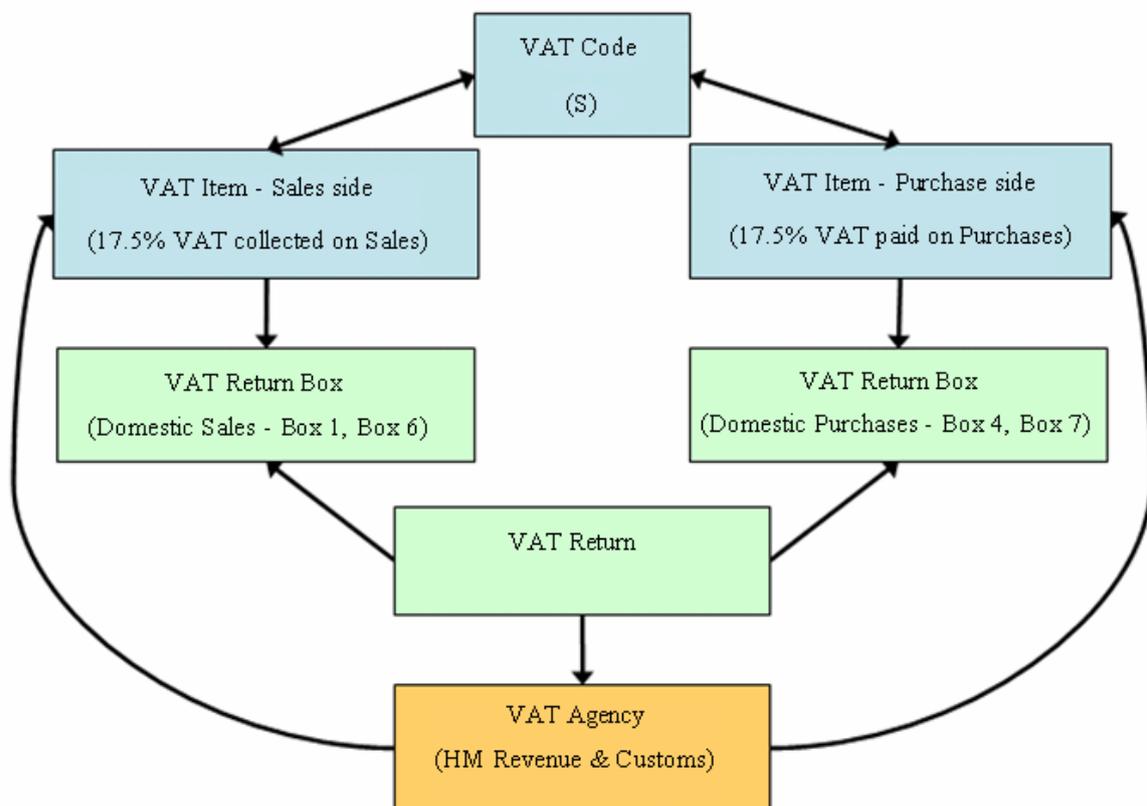
History of VAT

Using VAT in QuickBooks 2008

On the surface, tracking VAT works as it did before for accrual-based VAT. But under the cover, a lot of the details have changed… and there's a whole new engine. Here's why we think you'll get excited about the changes:

- Easily set up the taxes you need
    - VAT and EC VAT are automatically set up for new company files
    - Ability to create custom taxes such as import duties
- Track VAT the way you want
    - Split VAT collected on sales into a different account from VAT on purchases
    - Use asset or COGS accounts for VAT
    - Create bills (payables) for VAT owing (Pro and Premier editions)
    - Affect the exact return box you need to
- VAT reports always agree with VAT liability account
- Changes in previous VAT periods are accounted for in the current period
- File VAT now supported for cash-basis VAT reporting
- Filing date recorded in VAT account register
- In addition to the VAT 100, the VAT Detail report is also now saved as PDF when you file to create a permanent filing record
- Easily access VAT functions using the new VAT menu
- Adjust for small rounding differences right on your bills
- Dedicated Irish VAT codes, return, and reports

Using VAT in previous versions of QuickBooks

Over the last three years, Intuit has worked hard to redesign how VAT is calculated and reported in QuickBooks. It's the biggest revamp of VAT in our product since 1998 in version 5.0.

In QuickBooks 2006 and earlier, VAT calculations were driven by **VAT codes**. A VAT code consisted of a percentage amount and was tied to the VAT Control account. You could not change the account or split the VAT collected on sales from the VAT paid on purchases. Also, you could not create other types of taxes such as a landfill or other environmental tax.

Using VAT in QuickBooks

Setup

Using QuickBooks for the first time

- Use the EasyStep Interview to create your QuickBooks company. The Interview walks you through the setup procedure and helps you tailor QuickBooks to suit your business. The Interview also creates some of the QuickBooks accounts you'll need. The new file created will include default accounts you'll need. The new file created will include default accounts, VAT agencies, VAT items, and VAT codes.

- Create a QuickBooks company file without using the Interview. You can bypass the EasyStep Interview and enter only the minimum amount of information your need to get started.

Upgrading to QuickBooks 2008

If you upgrade your previous version of QuickBooks to QuickBooks 2008, your VAT codes will convert to VAT codes, VAT items, and group VAT items. Suppliers used as VAT agencies in the past will be VAT agencies in QuickBooks 2008. The VAT accounts used will be the same in QuickBooks 2008. VAT codes attached to items, customers, and suppliers will remain the same.

QuickBooks VAT terminology

Term	How it relates to VAT setup
VAT agency	The government agency that sets the requirements for VAT collection and payment, e.g. HMRC. VAT agencies are set up as suppliers, because you make payments to them.
VAT code	The identifier that you use on forms to charge VAT. Behind the scenes, the VAT code represents a VAT item, or a VAT group item. You can see all of your VAT codes in the VAT Codes List.
VAT item	A QuickBooks item (found in the Item List) that stores the VAT rate or amount. It is used behind the scenes to calculate the appropriate VAT for each transaction. Each VAT item links to a specific line of the VAT return, therefore there are separate VAT items for things you sell and things you buy.
VAT group item	A QuickBooks item that combines 2 or more VAT items so you can represent the group by a single VAT code. QuickBooks EC VAT codes use VAT group items so that VAT calculates and reports correctly to multiple boxes on the VAT 100 report.

Company Information

The Company Information window is the starting point for setting up your company.

Contact Information

Enter your company information as you would like it to appear on printed invoices, cheques, and other forms.

Legal Information

If your company's legal name and address is different from the name and address you use on printed forms, enter the legal information in the Legal name and Legal address fields. QuickBooks uses your company's legal information on tax and payroll forms.

Report Information

Your selection for the first month in your financial year and your selection for the first month in your tax year serves as a default setting for the date range for certain reports and graphs.

Company Identification

If HMRC issued you a VAT Registration Number, enter it here. If Companies House issued you a VAT Registration Number, enter it here.

Payroll Identification

Enter the name of the Tax office you are registered with and the reference number you received from HMRC. This information will appear on some payroll reports. If you have employees who are part of a contracting-out scheme, enter your ECON.

VAT Preferences

The next step in setting up your company should be to set up your VAT preferences. The VAT preferences allow you to review your settings and make a change if necessary.
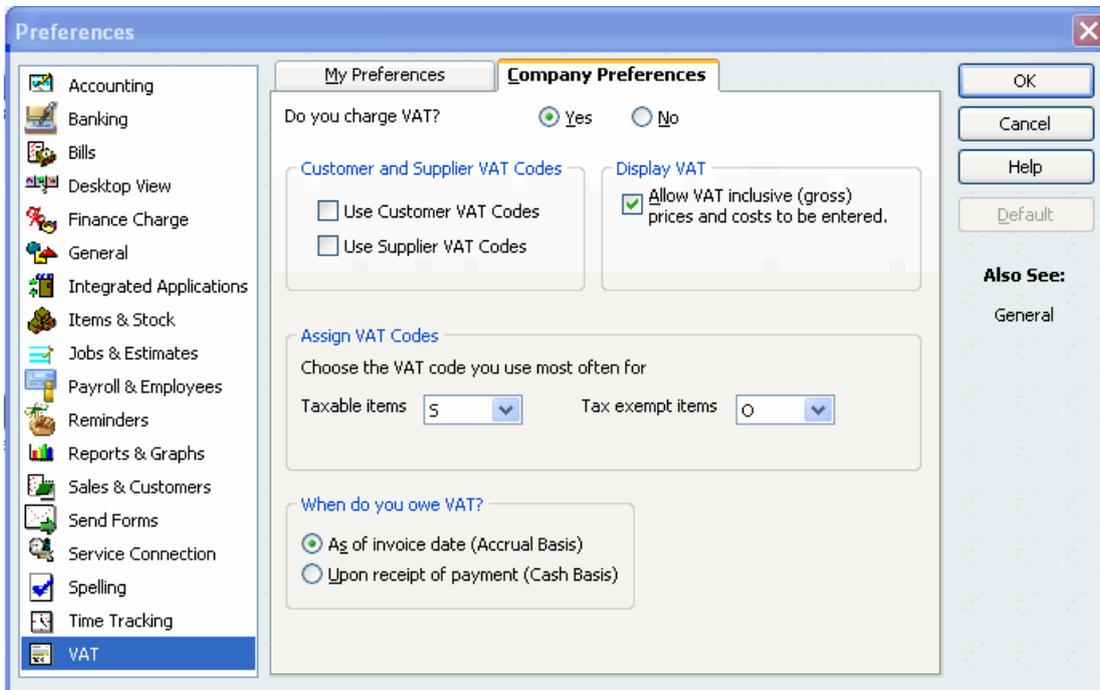
Do you charge VAT?

By default, a new company will have the "Do you Charge VAT?" preference turned on. If your company is not registered for VAT, change the VAT preference to No. If you change the VAT preference to No, you will not have access to VAT functionality (lists, reports, File VAT window). The default VAT codes, VAT items, and VAT agencies set up when the company was originally created will still exist, but will be hidden. It is suggested that you leave them in QuickBooks and make them inactive.

Use customer or supplier VAT codes

When the **Use Customer VAT Codes** option is selected, you can assign a VAT code to a customer in his or her customer record. Similarly, if **Use Supplier VAT Codes** is selected, you can assign a VAT code to a supplier.

Note: The VAT code assigned to a customer or supplier has priority over the VAT codes for your products or services. You might use it if you have a regular customer with a special status, such as exempt from VAT.

Assign VAT codes

In the **Assign VAT Codes** area are the VAT codes that are automatically assigned to newly created items, such as stock or service items. This saves you time as you don't have to manually add the VAT code each time you create an item. You might change these default codes, for example, if your business primarily handled goods with a special status, such as zero-rated goods.

Display VAT

If you turn on this preference, QuickBooks adds the option to include VAT in cost or price:

- On transaction forms. For example, if you turn on this preference and go to the bottom-left corner of an invoice, you can select the **Amounts include VAT** checkbox. Any invoices or other sales forms you create then include the amount of VAT in the Amount column.

- When you create or edit items. If you select **Amts Inc VAT** checkbox in the bottom right of the New Item or Edit Item window, the cost of price of that item will include VAT wherever the item is used. After you turn on this preference, make sure that when you create new items, you include VAT in the cost or price you enter.

When do you owe VAT?

Note: The reporting basis for VAT is usually accrual (not cash).

The preference you choose for VAT overrides the accounting basis you've set for your company and for your reports (for example, if your Reports & Graphs preference is set to "cash" but you select "accrual" for VAT, your VAT reports will be accrual-based).

- If you meet HMRC's requirements, you may find it to your advantage to use the cash accounting scheme for VAT. This is because VAT is not liable to be paid until you have actually received the payment from your customer. It is particularly beneficial if you give your customers lengthy periods of credit or if you have a high level of bad debts. (VAT Notice 731)

- If the annual value of your taxable supplies is above a certain threshold, you must switch to accrual-basis bookkeeping for VAT.

- If you switch from cash-basis to accrual-basis accounting, you cannot retrospectively apply the cash accounting scheme to your business.

- If switching from accruals scheme to cash scheme, you must, from the date you start to use the scheme, identify and separate in your records any payments you receive or

make for transactions already accounted for under the normal method of VAT accounting. Exclude such payments from your scheme records.

Note: Contact HMRC about requirements for VAT reporting and turnover thresholds.

User Permissions

- Access to the sales transactions are controlled by the sales and accounts receivable user permissions.

- Access to purchase transactions is controlled by the supplier and accounts payable user permissions.

- Access to the company preferences is restricted to the administrator.

- Access to the File VAT, Adjust VAT Due, view Prior VAT Returns, VAT reports, VAT codes and VAT items are not restricted.

VAT Agency

A VAT agency is a supplier to which you pay the VAT that you collect. QuickBooks sets up the VAT agency for you. Each VAT item is associated with a VAT agency. This ensures that the VAT you collect gets paid to the correct VAT agency.

The **VAT Registration Number** is an optional field in the Edit Supplier window. The VAT Registration Number is copied from the Company Information window to the supplier record.

The **VAT Return** field lists all the returns available (UK VAT or VAT 3 Ireland), or remains blank for custom agencies. Attached to each of these returns are the VAT return boxes and whether those boxes are related to sales or purchases. If you have transactions using VAT items that have this VAT agency, the VAT Return cannot be changed. VAT reports are built for each particular agency using the VAT return boxes associated with the selected VAT return

The **Reporting Period** section, choose your filing schedule from the **Period** drop-down menu. Occasionally your VAT agency may change your schedule, usually based on how much VAT you're collecting over your current payment period. If this happens, you need to return here to change the reporting period. In the **Period Ending** section, select the appropriate period ending months, as indicated to you by the VAT agency. When you're ready to pay your VAT, the amount of VAT due for the previous period is displayed in the File VAT window. If you don't know what to choose, check with your government VAT agency.

VAT accounts for this agency allows you to determine where the VAT for this VAT agency should be recorded in the accounting records. Select the account(s) for tracking this tax. Generally, you'll always track tax on sales. However, you may not need to track tax on purchases. Select **Track VAT on sales to**, then choose or add a VAT liability account for this VAT agency. To track tax on purchases, select **Track VAT on purchases to**.

If you can claim input tax credits for this VAT, as you can for VAT, track the tax on your purchases to the same account as you track the tax you collect from your customers. In other words, select the account that you set up to track the tax you collect on your sales.

If the agency does not allow input tax credits you can leave this field blank. Then, the tax you pay on purchases is included as part of the purchase expense.

Editing a VAT agency. Once a VAT agency is set up and VAT items include this VAT agency then the "Supplier is a VAT Agency" checkbox cannot be removed. The VAT agency has already been attached to a VAT item. You cannot change this VAT agency back to a regular supplier. QuickBooks needs to keep this checked on or else the VAT items will lose their VAT agency link and VAT items need VAT agencies. If you are no longer using this VAT agency, make the supplier inactive.

What else should you know about VAT agencies?

- The VAT Registration Number can be modified.

- The Reporting period can be modified at any time.

- How VAT is tracked to accounts can be changed; it will not impact existing (historical) transactions, but it will affect new transactions, or historical transactions that are modified. When you attempt to change an account you will be warned that changing the VAT account may make VAT reporting incorrect. This should generally be avoided. If you do attempt this, make sure you create a backup.

- Deleting a VAT agency is only possible if the VAT agency is not in a VAT item or a transaction.

- Merging a VAT agency with another VAT agency is not possible. If you change the name of the VAT agency to match another supplier they will receive a warning preventing merging of the VAT agency.

- Importing a VAT agency. VAT agency suppliers can imported from Excel. .IIF import/export is not supported.

For more information about adding a VAT item, search the in-product Help for "Adding a VAT item and a VAT rate".

VAT Item

QuickBooks sets up the VAT items that are used most often where your business is located based on the legal country and region in your Company Information window. However, you may sometimes need to add additional VAT item. All your VAT items can be found in your Item list.

QuickBooks uses VAT items behind the scenes to calculate the VAT on transactions and associate the VAT with the correct VAT agency (HMRC).

You must select a VAT Return Box for each VAT item. The VAT Return Box determines where the VAT will show up on the VAT return. The VAT Return Box also determines if the VAT item is a VAT on sales or a VAT on purchases.

What else should you know about VAT items?

- If the VAT agency does not have a VAT return, the item return lines will be generic "Tax on Sales" and "Tax on Purchases".

- If a VAT item is already used in transactions, you can edit the name, description, rate, and VAT Return Box, but you cannot change the VAT agency of the VAT item.

- If a VAT item is already used in transactions, you cannot delete the item.

- VAT items can be merged only if the VAT rate or amount, VAT agency, and VAT Return Box are identical.

- You can import/export all fields in the VAT items through Excel. .IIF import/export is not supported.

VAT Group

A VAT group item is a combination of two or more individual VAT items so that they can be represented by one VAT code. This allows you to choose a single VAT code on invoices, bills, or other forms, yet track and report each tax separately. You wold use a VAT group item, for example, if you needed to collect VAT for different levels of government, such as a federal and a county tax.

A VAT group item is a combination of two or more individual VAT items so that they can be represented by one VAT code. This allows you to choose a single VAT code on invoices, bills, or other forms, yet track and report each tax separately.

What else should you know about VAT group items?

- All items in the group can be edited.

- If a VAT group is already used in transactions, you cannot delete the item.

- VAT groups cannot be merged

- You can import/export all fields in the VAT group through Excel. .IIF import/export is not supported.

For more information on how to set up VAT group items, search the in-product Help for "VAT group item".

VAT Code

QuickBooks sets up common VAT codes for you based on where your company is located.

VAT Code	Description	How does this report on my VAT 100 return?	
		Code used on purchase form	Code used on sales form
S	Standard rate VAT	VAT at 17.5% to box 4	VAT at 17.5% to box 1
		Net purchase amount to box 7	Net sale amount to box 6
R	Reduced rate VAT	VAT at 5% to box 4	VAT at 5% to box 1
		Net purchase amount to box 7	Net sale amount to box 6
Z	Zero rate VAT	VAT at 0% to box 4	VAT at 0% to box 1
		Net purchase amount to box 7	Net sale amount to box 6
E	Exempt	No VAT	No VAT
		Net purchase amount to box 7	Net sale amount to box 6
N	Not Rated	No VAT	No VAT
		Net purchase amount to box 7	Net sale amount to box 6
O	Outside the Scope of VAT	No information to return	No information to return

VAT Codes are used as a reference to VAT items or VAT group items. They are added to the right of the amount column, on a line by line basis, in both sales and purchase transactions. The items that it refers to are then calculated at the bottom of the transaction. Using a single VAT code that refers to both a purchase tax and a VAT item allows you to maintain consistency between your sales and purchase transactions.

What else should you know about VAT codes?

- If the VAT code has been used in a transaction, you can edit the name, description, and VAT items, but not the taxable status.

- If a VAT code is already used in transactions, you cannot delete the code.

- Only VAT codes with the same taxable status and VAT items can be merged.

- You cannot import/export VAT Codes List using Excel.

QuickBooks also sets up VAT codes to use for transactions with VAT-registered businesses in EC Member States.

Why shouldn't I use the EC VAT codes in QuickBooks if I track VAT on a cash basis?

For more information on VAT codes for EC businesses, search the in-product Help for "EC businesses VAT codes".

Customers

Customers can be set up with a VAT code as well as the country that they are registered for VAT.
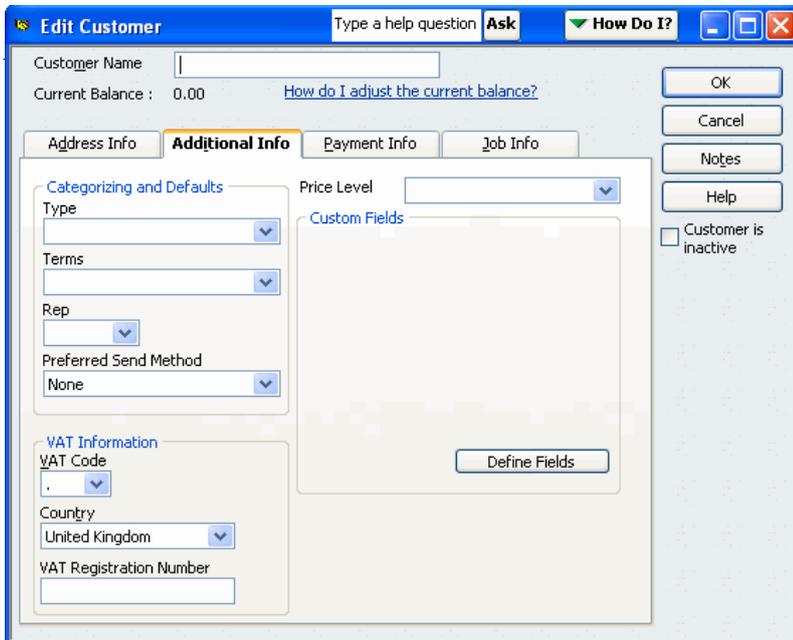
The VAT Code field appears if you have "Use Customer VAT Codes" turned on in the VAT preferences. This field is blank by default, but any non-taxable VAT code or taxable VAT code with a VAT item can be selected.

The VAT code selected in the customer record will display on sales transaction when that customer is selected. The VAT code for the customer will override the VAT codes for the items on a transaction, and will default the VAT code of the items to the VAT code of the customer. You are able to modify each individual line item VAT code before saving the transaction.

What else should you know about customers and VAT codes?

- All VAT can be edited.

- The VAT information is supported by import/export using Excel. .IIF import/export is not supported.

- A Customer:Job uses the same VAT information as the parent customer, so it's not displayed in the window.

Suppliers

Suppliers can be set up with a VAT code as well as the country that they are registered for VAT.
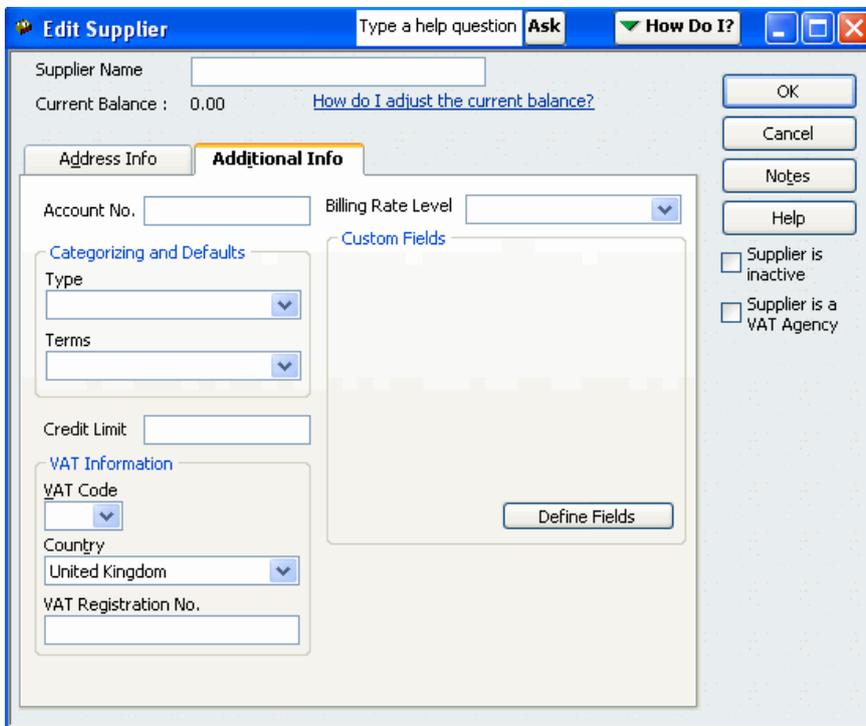
What else should you know about suppliers and VAT codes?

- The VAT Code field is turned on by the preference to "Use supplier VAT codes". The field is blank by default, but any non-taxable VAT code or taxable VAT code with a purchase VAT item can be selected.

- The VAT code selected in the supplier will display on purchase transactions when that supplier is selected. The VAT code for the supplier will override the VAT codes for the items on a transaction, and will default the VAT code of the items to the VAT code of the supplier. The user is able to modify each individual line item VAT code before saving the transaction.

- All VAT related information can be edited.

- The VAT information is supported by import/export using Excel.

Items

Service, Stock Part, Stock Assembly, Non-Stock Part, Other Charge, and Discount item types will allow you to select a sales VAT code and/or a purchase VAT code

Subtotal, Group, and Payment item types do not require you to enter a VAT code.

The VAT code you select will be used as the default for the item when it is used in a transaction. You can also determine if the sales price and cost of the item should be calculated with the VAT included or the VAT not included. The Amts Inc VAT checkbox appears if you've selected the "Allow VAT inclusive (gross) prices and costs to be entered" checkbox in the VAT preferences. If a purchase VAT code is not assigned to an item, the default non-taxable VAT item defined in VAT preferences is used when the item is selected in a transaction.

Accounts

Expense, Other Expense, and Cost of Goods Sold account types allow you to select a VAT code. The VAT code selected for the account will be used as the default VAT code when it's used in a transaction.

Entering Transactions

Invoices, Sales Receipts, and Credit Notes
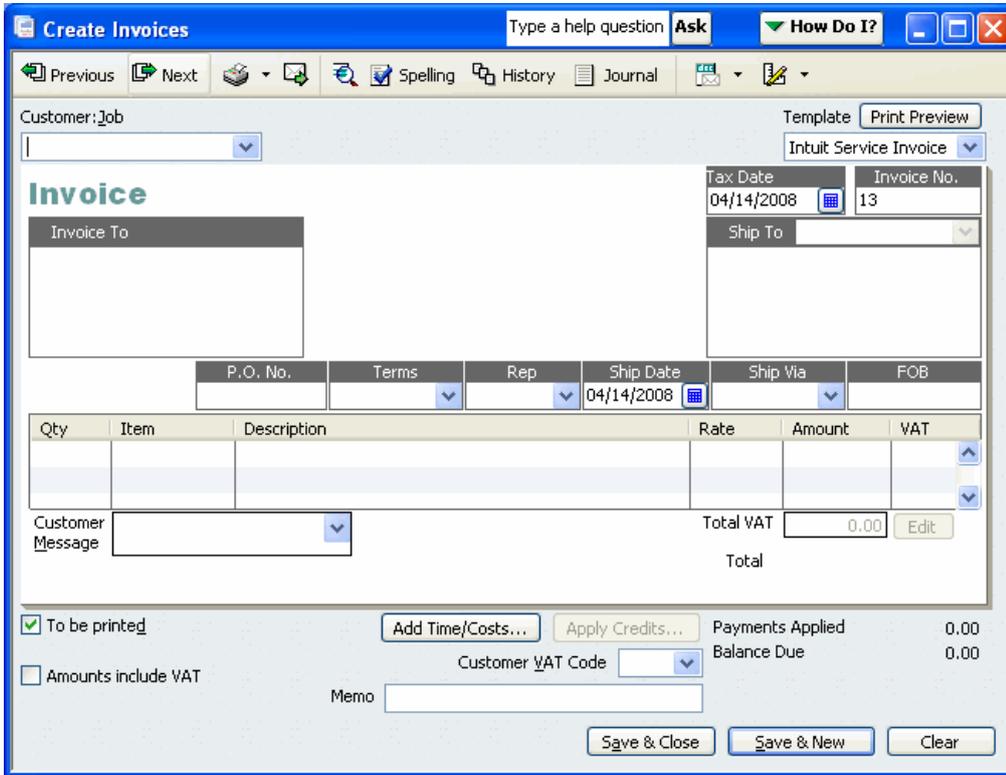
The general model for transactions is to assign a VAT code to the line items. The VAT code represents VAT items that calculate VAT that is displayed at the bottom of the transaction. You can edit these taxes directly in the Total VAT box. You must enter a VAT code on every line of the transaction.

What else do you need to know?

- The VAT field labels come from the VAT item name, plus the rate.

- The **Customer VAT Code** will default the VAT codes on the items (you can override these codes if necessary).

- The **Amounts include VAT** checkbox appears when "Allow VAT inclusive (gross) prices and costs to be entered" in the VAT preferences. The state of the checkbox is based on the previously recorded sales transaction. If selected, the amount column will include VAT.

- If the item does not have a VAT code, the item will be assigned the default, non-taxable VAT code as designated in VAT preferences.

- VAT items with percentages and amounts can be entered directly into the body of the invoice. If the VAT item is already used in the form, you will be prevented from adding this VAT item.

Change any VAT information for a specific sale or purchase

You can change the VAT for a specific transaction at the time you enter it. For example, you can change the VAT code of a service item on a particular invoice.

Note: Any changes you make on a specific transaction affect only that sale or purchase.

For a specific transaction, I need to change:

- **An item's VAT code (VAT column)**

  Go to the VAT column on the transaction form and click the drop-down list for the line item that you want to change. Choose the new VAT code. To permanently change the VAT code associated with a particular item that you sell, you must edit the item record.

- **The VAT total (bottom of onscreen form)**

  If you need to make a small adjustment, for example, to correct a rounding difference of one pence, you can manually adjust the amount of VAT on certain transaction forms. You can adjust the VAT on invoices, sales receipts, and credit notes, bills, cheques, and credit card charges. For estimates and sales orders, you can edit the VAT totals once you create the invoice.

  Important: Any changes you make affect VAT reports and your VAT Liability account. If you need to make a large or permanent change, we recommend you use VAT codes and VAT items.

  To adjust the VAT, go to the VAT total area at the bottom of the transaction form.

  Enter the new amount of VAT directly in the **Total VAT** field (replacing the amount QuickBooks calculated for you).

- **The customer's VAT code**

  If you gave a customer their own VAT code (in their customer record), you will see a Customer VAT Code at the bottom of the transaction form. That customer code overrides the VAT codes assigned to your products or services. Click the drop-down list and choose the VAT code you want to use on this particular transaction for this customer. You have a chance to permanently change the VAT code assigned to this customer after you save the transaction. Click **No** if you want to keep the customer's original VAT code.

▪ **The supplier's VAT code**

If you gave a supplier their own VAT code (in their supplier record), you will see a Supplier VAT Code at the bottom of the transaction form. That supplier code overrides the VAT codes assigned to your products or services. Click the drop-down list and choose the VAT code you want to use on this particular transaction for this supplier. You have a chance to permanently change the VAT code assigned to this supplier after you save the transaction. Click **No** if you want to keep the supplier's original VAT code.

Bills and Cheques

VAT on purchase transactions works consistently with the sales transactions.

The general model for purchase transactions is the same as sales transactions. You assign a **VAT code** to the line items and the VAT code represents **VAT items** that calculate tax (displayed at the bottom of the transaction). You can edit these taxes directly in the Total VAT box or from the Edit button.

What else should you know about VAT on purchase transactions?

▪ The VAT field labels come from the VAT item name, plus the rate.

▪ The **Amounts include VAT** checkbox is displayed when the "Allow VAT inclusive (gross) prices and costs to be entered" checkbox is turned on in the VAT preferences. The state of the checkbox is based on the previously recorded purchase transaction. When "Amounts include VAT" is selected, the amount column will include VAT.

- A VAT code per line is required on the Items tab. If it does not have a VAT code, the item will be assigned the default, non-taxable VAT code as designated in VAT preferences.

- VAT is calculated on a transaction basis for each tax in the transaction. Expense accounts can be entered with no VAT code. In this case, the expense is treated as non-taxable.

- VAT items with amounts can be entered directly into the body of the purchase form. VAT items with percentages cannot be entered directly into the body of the purchase form.

- When you select a VAT account, (other current asset or other current liability associated to a VAT agency) you will receive a warning about using VAT accounts.
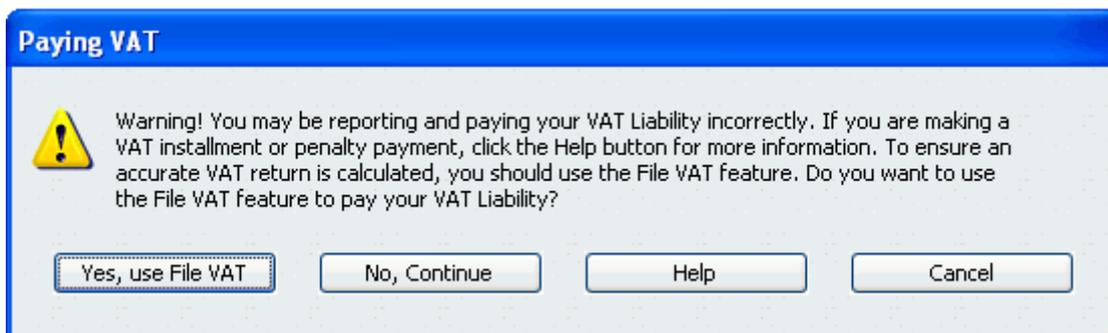
If you select **Yes, use File VAT**, the transaction form will close and the File VAT window will open.

If you choose **No, Continue**, the VAT account QuickBooks will automatically add the VAT agency associated with that account to the Customer:Job column. When the transaction is saved it will be reported in the Uncategorised Tax Amounts line of the VAT return.

General Journal Entries

Journal entries that include a VAT account may or may not include a VAT item on that line.

Entries to a VAT account that include a VAT item are reported on the corresponding box of the VAT return.

Entries to a VAT account that do not include a VAT item are reported in the Uncategorised Tax Amounts line of the VAT return. You will receive the following warning before being allowed to record the transaction:

For information on how to make a general journal entry that includes a taxable amount, search the in-product Help for "Making a general journal entry that includes a taxable amount (affects VAT liability)".

Bank and Credit Card Registers

Registers allow you to view, edit, and enter transactions (in some cases) into QuickBooks. We recommend that you enter transaction with VAT using business forms.

If you select the Splits button in the register, the following message is displayed:

In the split area for cheques and deposits, you will not have access to VAT codes, but you can select VAT accounts. Once these accounts are selected, the VAT agency associated with these accounts will populate the Customer:Job column. You will receive a warning which is the same as in purchase forms.

When the transaction is saved it will be reported in the Uncategorised Tax Amounts line of the VAT return.

Deposits

If you select a VAT account, you must select a VAT agency for that account. When the transaction is saved it will be reported in the Uncategorised Tax Amounts line of the VAT return. A VAT account cannot be selected in the "Deposit To" and "Cash back goes to" accounts.

Receive Payments, including Terms and Set Discount

You cannot record a discount or a credit to a VAT account when receiving a payment.

Statement Charges

You can enter statement charges directly to an Accounts Receivable register or a Customer register. In these registers there is no ability to select a VAT code for items sold. All items sold through these registers will use the default VAT code you set up in VAT preferences. VAT is not added when entering transactions directly into the Customer register or Account Receivable register. If you want a statement charge recorded with VAT, you must record it using a sales transaction form.

VAT Registers

The VAT register displays the transactions affecting the VAT account. You cannot change amounts from within the register. The Filed Date field records the date that the transactions were filed.

Finance charges

Finance charges are recorded with a tax exempt VAT code. There is no ability to add VAT to finance charges.

Reconciliation (Interest and bank charges, Interest earned), Transfers, and Stock Adjustments

You cannot save a transaction that posts to a VAT account.

Sales Orders, Estimates, and Purchase Orders

VAT on sales orders and estimates is calculated in the same way as invoices. The only difference is that the VAT amounts cannot be edited. QuickBooks prevents you from editing VAT on sales orders and estimates because VAT is recalculated when they become invoices.

VAT Reports and Filing VAT

Reports

VAT 100 report

What this report tells you

This report shows you the information for each box of the VAT return. This will help you as you file your return in QuickBooks and then complete your personalised return and submit it to your VAT agency. Make sure you check the dates in the From and To fields and make sure they match the VAT period that you are filing. If you entered any transactions but backdated them to a previous VAT period, or changed any transactions that were in a previous VAT period, the VAT on these older transactions is included in this report.

Uncategorised Tax Amounts

Any uncategorised amount is not included in any of the VAT return boxes. If you have an uncategorised VAT amount on this report, you may need to adjust one or more VAT return boxes.

Read [this FAQ](#) to learn how to resolve uncategorised tax amounts.

VAT 3 (Ireland) report

What this report tells you

This report shows you the information for each line of the VAT return. This will help you as you file your return in QuickBooks and then complete your personalised return and submit it to your VAT agency. The report is based on accrual accounting unless you changed your VAT reporting preference to cash basis. Make sure you check the date to make sure it matches the VAT period that you are filing.

Uncategorised Tax Amounts

Any uncategorised amount is not included in any of the VAT return lines. If you have uncategorised VAT amount on this report, you may need to adjust one or more VAT return lines.

Read this FAQ to learn how to resolve uncategorised tax amounts.

VAT Detail report

What this report tells you

This report lists the transactions whose VAT is included in any of boxes 1 through 5 of the VAT return report (VAT 100). Transactions between the From and To dates are listed. You can modify the dates for this report in order to show the transactions affecting VAT liability.

What if I have an opening balance on this report?

If you have an opening balance at the start of your VAT Detail report, a transaction was made or changed that affected VAT but it was backdated to an earlier VAT reporting period. For example, Jane files her VAT return for the period ending March 31. In May, she enters a sales receipt but dates it March 27; the receipt includes VAT of £6.49. When she creates the VAT Detail report for April 1 to June 30, it has an opening balance of £6.49.

Uncategorised Tax Amounts

Any uncategorised amount is not included in any of the VAT return boxes. If you have an uncategorised VAT amount on this report, you may need to adjust one or more VAT return boxes.

Read [this FAQ](#) to learn how to resolve uncategorised tax amounts.

VAT Item Summary report

EC Sales List report

What this report tells you

This report shows the **total net value** of supplies sold to each VAT-registered EC business during the selected period. The report is based on accrual accounting unless you change your VAT reporting preferences to cash. This report shows EC customers who received supplies from you within the current financial quarter to date. It also shows purchases you made from EC suppliers. Click the Dates drop-down arrow in the upper left of the report to choose a different period.

Why are some of my EC customers missing?

If you are VAT-registered and your EC customer is VAT-registered, make sure you:

- Enter the customer's VAT Registration Number when you enter their information.

- Use EC VAT codes for qualifying transactions.

Reverse Charge List report

What this report tells you

This report shows the **total net value** of mobile phone and/or computer chip supplies that are valued at £5000 or more (effective on or after 1 June, 2007). This report shows EC customers who received supplies from you within the current calendar month. It also shows purchases you made from EC suppliers. Click the Dates drop-down arrow in the upper left of the report to choose a different period.

Filing VAT Process

When it's time to pay your VAT, you may want to review the VAT 100 Report. Then, use the File VAT window to file your VAT in QuickBooks and create and pay your VAT bill. Then transfer information to the printed VAT agency form.

Important: Do not pay your VAT using the Write Cheques or Enter Bills windows, as this will cause errors in your bookkeeping and in your VAT reports.

The File VAT window shows all of the boxes in the agency's VAT return, with the balance owing or receivable at the bottom.

If you have Uncategorised Tax Amounts, resolve this before filing.

If there is an amount due to the VAT agency, QuickBooks creates a filing journal entry that posts a payable to the VAT agency on the last day of the reporting period. During the filing process, the user can choose to "Pay Now" or "Pay Later". If the user selects "Pay Now" the Pay Bills window opens so the user can pay the payable.

If you owe money:

After you click File VAT Return, QuickBooks creates a bill for the amount owing to the VAT agency and opens the Payment window.

- Click Pay Now to open the Pay Bills screen and make a payment.

- To pay this bill later, click Pay Later.

If you have a refund:

QuickBooks sets up the VAT agency as a customer, so that it appears on both your customer and supplier lists. Use the entry on the Supplier list to pay your VAT liability and the one on your Customer list to deposit a VAT refund. Note that the name on each list is slightly different (such as 'HMRC VAT' on the Supplier list and 'HMRC VAT - Receivable' on the Customer list).

After you click **File VAT Return**, QuickBooks creates a receivable for the amount the VAT agency owes you and opens the Refund window.

- Click **Receive Now** to open the Receive Payments screen and start processing your refund.

    or

- Click **Receive Later** to process the refund later, such as after you receive a cheque from the agency.

    Click **Receive Payments** on the Home page whenever you want to receive this payment.

What if my amount due is 0?

If you neither owe VAT nor have a refund due (your balance is £0), click **OK** and fill out the VAT return form.

Note: If the VAT amount that is calculated is different from your expectations, we recommend that you speak to an accountant before proceeding.

If you try to file VAT with a balance in the Uncategorised Tax Amounts line a warning message will appear informing you that you should categorise these amounts before continuing.
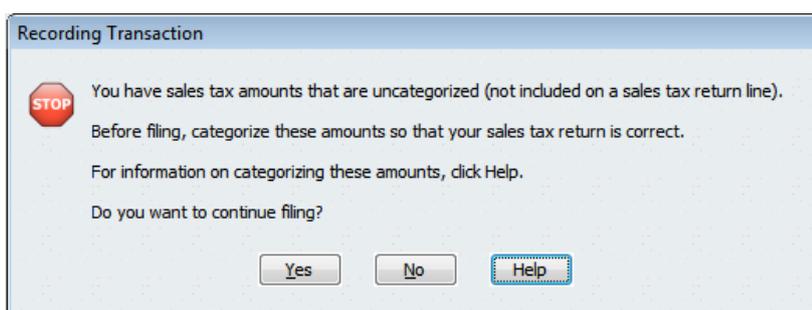
A filing journal entry is created so that a line is posted to the VAT account for each VAT item with a balance for the period being filed. The net result is that the balance per VAT item is reduced to zero. If you file VAT when there is a balance in the Uncategorised Tax Amounts line, there will be an offsetting line with no VAT item in the filing journal entry. Tax targets on transactions that were filed are assigned a "filed date". Transaction or detail reports can be modified to show the Filed Date column.

Example

You use the File VAT window to file your VAT in QuickBooks and create and pay your VAT bill. In the File VAT window, it says **You owe VAT of £327.75 to HMRC VAT**. You select the File VAT Return button and the Pay Bills window appears.

You select the bill from the Pay Bills window and then click Pay Selected Bills.

A general journal entry is created.

The balance per VAT item is reduced to zero.

VAT Items and Uncategorised Tax Amounts

If an amount is posted to the VAT liability account without using a VAT code or VAT item, QuickBooks doesn't know what box of the VAT return it goes in. This results in an uncategorised tax amount. This can happen, for example, if the Make Deposits window is used to record a cash sale, since that window doesn't allow a VAT code or VAT item.

Similarly, if you upgrade your company file from a previous version, you may have transactions that posted to the VAT Control account that did not use a VAT code. These will also create uncategorised tax amounts when you upgrade.

Read [this FAQ](#) to learn how to resolve uncategorised tax amounts.

For detailed instructions on how to file VAT in QuickBooks 2008, search the in-product Help for "Paying VAT".

VAT Adjustment

VAT adjustments go to the VAT item selected. Adjustments show up in the File VAT window and VAT reports only if they are recorded on or before the "to" date. VAT adjustments are really just general journal entries. When you see these entries in reports they will drill down to a journal entry.

Adjustment Date

In the Adjustment Date field, enter the date of the adjustment

Entry No.

If this is the first time you're entering any type of adjustment (including general journal entries), the Entry No. field will be blank. Enter a number for your adjustment. Any subsequent adjustment will increase this number automatically. This number appears on reports and is useful for finding adjustments.

VAT Agency

In the VAT Agency drop-down list, choose the agency to which the adjustment applies, such as HMRC.

VAT Item

The VAT item links information to a specific line of a VAT return. Choose a VAT item that links to the line that you want to adjust.

Adjustment Account

In the Adjustment Account drop-down list, choose an account. If you are adjusting your VAT liability, don't use the VAT Liability account; the adjustment won't post correctly. Instead, choose one of the following:

- If you're making the adjustment because you received a credit and you owe less VAT to the government, choose an income account, such as Other Income.

- If you're making the adjustment for a fine, penalty, or interest due, choose an expense account, such as Interest Expense or Non-deductible Penalties.

- If you're adjusting for a rounding error, choose either an income account (for a negative error) or an expense account (for a positive error). Some users also set up a special account for rounding errors or they use the Miscellaneous Expense account.

The only time you should select a VAT liability account is when you are adjusting unclassified VAT amounts so that they are included on a specific line of your QuickBooks VAT return. In this case, your total liability remains the same; you are just telling QuickBooks on which line to report these amounts.

Amount

In the Amount section, enter the amount of the adjustment. Don't enter a negative amount. If **Increase VAT line** is selected, QuickBooks will add the amount to the box of the VAT return. The box of the VAT return is indicated by the VAT item you chose. If you enter an amount and select **Decrease VAT line**, QuickBooks will subtract the amount from the box of the VAT return.

Memo

Enter a memo to describe the adjustment.

VAT adjustments are made for a number of reasons:

- You received a credit because you overpaid your previous VAT payment.

- You VAT agency allows a discount for making an early VAT payment.

- You VAT agency charged a fine, penalty, or interest because you made a late payment, didn't file on time, or did not pay your VAT.

- You need to write off the VAT portion of a bad debt.

- You need to make an adjustment to assign uncategorised tax amounts to the correct box on the VAT return.

For information on how to make a VAT adjustment, search the in-product Help for "Adjusting the VAT you owe".

What happens after I enter an adjustment?

When you enter a VAT adjustment, QuickBooks automatically creates a general journal entry to show the adjustment. The next time you pay your VAT, the adjustment is taken into account in the File VAT window--the VAT item you chose in the VAT Adjustment window tells QuickBooks on which box to include the adjustment.

For details on how to make a VAT adjustment, search the in-product Help for "Adjust VAT".

Printing Prior Period Reports

In QuickBooks 2008, when you pay your VAT owing (or receive a VAT refund) using the File VAT feature, QuickBooks makes a copy of the VAT 100 and VAT Detail reports and saves them as PDF files. This PDF is a snapshot of the return at the time you filed.

You may need to consult a prior return to check a particular transaction as it was at the time of filing, review the amounts on a prior return, or print additional copies for your records.

[I have just upgraded to QuickBooks 2008. Where are my old VAT returns and reports?](#)
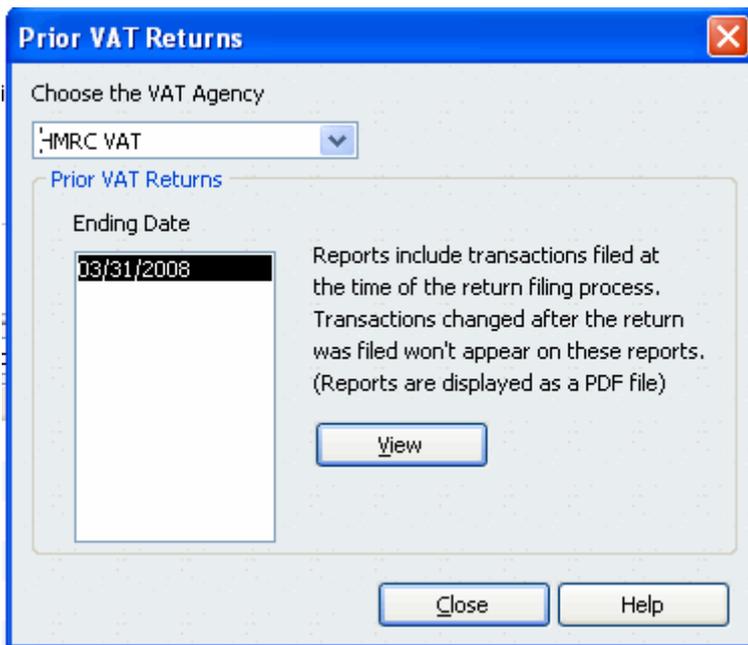
Non-VAT Reports

- Transaction level or detail reports can be customised to display VAT Code, Filed Date, and VAT Return Box columns.

- VAT codes are displayed on income and expense account lines.

- Filed date is displayed on VAT account lines for transactions that have been filed.

- VAT return box is displayed on all VAT account lines.

- Non-sales VAT reports can be filtered and sorted by VAT item, VAT code, filed date, and VAT return box.

Advanced Use Cases

These are situations that are outside the normal flow, buy may apply to your situation.

VAT Flat Rate Scheme

The Flat Rate Scheme allows small businesses an alternative to the normal transaction based method of VAT accounting. Businesses using it calculate their VAT payment as a percentage of their VAT-inclusive turnover.

According to Notice 733, "Under the flat rate scheme you do not have to identify, or separately record, the VAT on your sales and purchases to calculate the VAT you owe to us. You simply record all the supplies your business makes, including exempt supplies, and apply the appropriate flat rate percentage for your trade sector to the total in each period. The result is the VAT you owe to us."

Note: [Notice 733](#) has all the details.

Cash Accounting Scheme

The cash accounting scheme allows you to account for VAT **(output tax)** on your sales on the basis of payments you receive, rather than on tax invoices you issue. This is different from the normal rules that require you to account for VAT on your sales as they take place or as soon as you issue a VAT invoice, even if your customer has not paid you.

However, if you choose to use the scheme, you can only reclaim the VAT incurred on your purchases **(input tax)** once you pay your supplier. Under the normal method of accounting for VAT you can reclaim VAT on purchases you make as soon as you receive a VAT invoice even if you have not paid your supplier.

In QuickBooks, the cash basis of reporting can be handled through the reporting and filing process. Most reports allow the user to change from an accrual basis to a cash basis. This change will recalculate the reports so that only amounts that have been actually collected or paid are included.

In QuickBooks 2008, you select the filing and reporting process to be either an accrual basis or a cash basis.   This is done in the VAT preferences.

You will record transactions in the same way for both accrual and cash reporting.

If you have selected the cash basis of reporting, the amount of tax calculated in the filing process will be based on how much tax has been collected on sales and how much has been

paid on purchases.

For example, you invoice a customer for £100.00 plus VAT of 17.50. The total invoice is £117.50. At a later date the customer pays £50.00 of this outstanding invoice. The amount of VAT calculated on a cash basis in QuickBooks will be £7.45 ((50.00/117.50) x 17.50). On an accrual basis it would be the full £17.50.

When you complete the filing process in QuickBooks, QuickBooks will enter a filing date on each VAT entry not previously filed. With the cash basis of reporting, the entry in the accounting register will be the full amount, whereas the amount that is filed could be a portion of that. The remaining amount may not be filed until some later period. As a result, the filing date saved with each VAT entry is of little value in the cash basis method of filing.

Switching the preference back and forth between the cash and accrual method will not change any data that is being stored; it will only change how VAT is being calculated for filing and reporting.

Note: Notice 733 has all the details.