



# Change of VAT Rate to take effect from 4th January 2011



## Microsoft Dynamics NAV

From 4th January 2011, the UK standard rate of VAT will increase from 17.5% to 20%. This factsheet explains how this change affects Microsoft Dynamics NAV users and what you need to do.

We recommend Microsoft Dynamics NAV users to set up a new VAT code of 20% to keep track of the change, and to report on all transactions done between the dates of the rate change. This will then ensure that the appropriate rate is used by system transactions. By setting up a new tax code, this will enable organisations to prepare and report appropriately on the change in line with HMRC guidance.

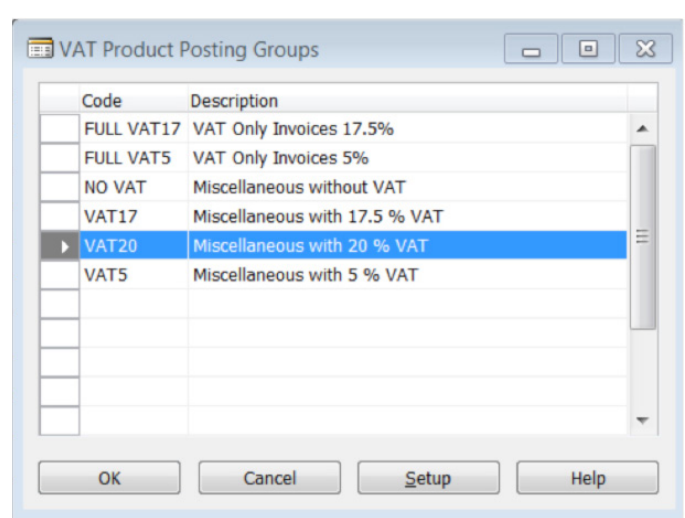
**For further detailed information and HMRC guidance about the change, please visit the HMRC Website.**

We would advise that any changes are first tested outside of the Production Environment prior to the deployment of the change.

Please find detailed steps below on how to set up the new VAT codes in Microsoft Dynamics NAV:

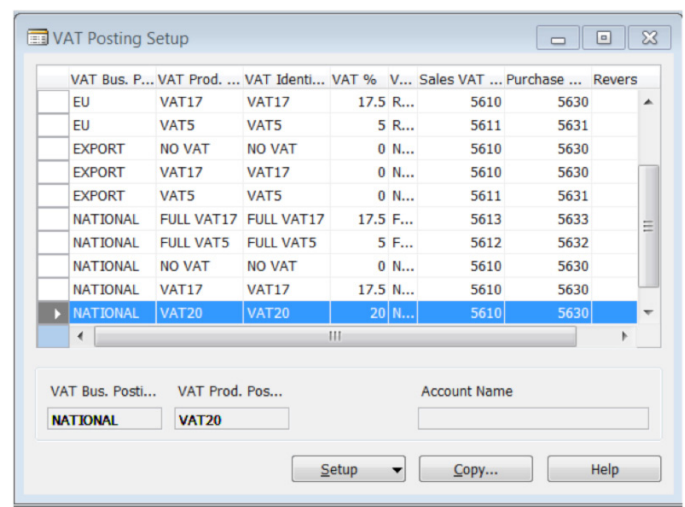
### How to setup a new VAT Product Posting Group

- Financial Management>Setup>VAT Posting Groups>Product
- Create a new code for the 20% VAT rate



### How to setup a new VAT posting group

- Financial Management>Setup>VAT Posting Groups>Posting Setup
- Add a new VAT Bus. posting Group



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# Change of VAT Rate

*to take effect from 4th January 2011*



**Microsoft**  
GOLD CERTIFIED  
Partner



No.	Name	In... A...	Totalling	G... G...	G... Net Change	Balance
5612	Sales Full VAT 5%	B... P...		S... M...		
5613	Sales Full VAT 17.5%	B... P...		S... M...		
5614	Sales VAT 20%	B... P...				
5620	Purchase VAT 17.5% EU	B... P...			-6,752.04	-6,752
5621	Purchase VAT 5% EU	B... P...				
5630	Purchase VAT 17.5%	B... P...			179,991.46	179,991
5631	Purchase VAT 5%	B... P...			291.19	291
5632	Purchase Full VAT 5%	B... P...		P... M...		
5633	Purchase Full VAT 17.5%	B... P...		P... M...		
5634	Purchase VAT 20%	B... P...				

**How to create two new G/L Accounts to manage the new VAT rate into the chart of Accounts.**

- Financial Management>General Ledger>Chart of Accounts Account button>Card

It is now necessary to add the new created VAT Product posting group to the existing , Item charge, G/L account, item and resource, this should be performed on the 4th of January.

## Purchase order/Sales order open transactions

The 20 per cent rate will take effect for:

- Supplies of goods and services made on/after 4th January 2011
- Imports on or after 4th January 2011
- Acquisitions of goods from other Member States on or after 4th January 2011

Therefore, anything shipped or receipted prior to the 4th January, should attract the VAT rate of 17.5%. Anything shipped or receipted from the 4th January should attract the VAT rate of 20%.

## Other considerations for tax changes within Microsoft Dynamics NAV

The following areas will also need to be considered for the change:

### Open Sales Orders

Open sales orders will have the old tax rate assigned to them. These will need to be manually changed on the order. Go to Setup>Sales>Sales Order Processing. This needs to be changed

before converting the sales order to an invoice. If the sales order is partially shipped it is necessary to modify the existing line removing the remaining quantity to ship (so to keep the old VAT rate) and create a new line using the new VAT rate. Consideration will need to be taken of opens service orders.

### Open Purchase Orders

Opens purchase orders will have the old VAT rate on them. This needs to be taken into consideration with regards to cash flow reporting.

### Credit notes and refunds

Consideration will need to be taken to the VAT code that is used for refunds. The rate of VAT to be used for credit notes or debit notes is the one which was in force at the time of the original supply. If the originating transaction was prior to the 4th January 2011 and you charged 17.5%, the credit/debit note must show VAT at 17.5%.

### Reverse Charge VAT for the UK

For those customers affected with dealing with goods affected by reverse charge, reverse charge VAT will need to be setup to reflect the changes.

### 100% VAT only invoices

100% invoices will also need to be considered where applicable.

### VAT100

The new code will need to be included in the VAT 100 form

### Form/Reports/Labels

Consider any forms, reports and labels where VAT rates have been previously hard coded and amend as appropriate

### Pre-printed stationery

Amend any pre-printed stationery where the rate of 17.5% appears to reflect the change

### Interfaces

Consider interfaces where VAT rates have been previously hard-coded

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