

# MAGIC TAX

## PROCESSING VAT ADJUSTMENTS WITHIN KEYLOOP

This document contains suggested methods  
(provided by an existing Keyloop & Magic Tax user)  
that could be used to manage manual adjustments within Keyloop  
prior to extracting the VAT Summary Report for upload to Magic Tax.

The responsibility of how the manual adjustments are made in Keyloop  
remain with the user as the Magic Tax team are not qualified to advise  
in this matter.

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## Processing Quarterly VAT Adjustments within Keyloop Drive

Note: the method below makes VAT adjustments only and does not create any net sales or purchases adjustments. Our understanding is HMRC are primarily concerned with the accuracy of the VAT amounts and are less concerned with the associated net sales and purchase amount).

### 1. Sales Ledger Account

Create a new Sales Ledger account for internal VAT adjustments (e.g. SL V0008).

### 2. Postponed Import VAT

If you have Postponed Import VAT, or purchase transactions missing from a previous period close, then also create a new Purchase Ledger account for these adjustments (e.g. PL V0009).

### 3. VAT on Deposits – New Nominal Code

For VAT on deposits, create a new nominal code to carry the debtor or creditor adjustment (e.g. NL 9338).

### 4. VAT on Deposits

For VAT on deposits, you will need to post an invoice at the end of the quarter to declare your VAT on deposits and then a credit note at the start of the next quarter to reverse it.

Post your **Invoice** as follows:

(Dated end of Quarter)

	VAT Code	Net	VAT	Gross
SL V0008 / NL 9338				
VAT on Deposits this qtr	S	100,000	20,000	120,000
Reverse/remove Debtor	Z	-120,000	0	-120,000

Postings:

		Net	VAT	Gross
NL 9300				0
NL 9642			-20,000	
NL 9338		20,000		

Post your **Credit** as follows:

(Dated start of Quarter)

	VAT Code	Net	VAT	Gross
SL V0008 / NL 9338				
VAT on deposits last qtr	S	100,000	20,000	120,000
Reverse/remove Creditor	Z	-120,000	0	-120,000

Postings:

	Net	VAT	Gross
NL 9300			0
NL 9642		20,000	
NL 9338	-20,000		

## 5. Postponed Import VAT (PIVAT)

You will need to raise a sales invoice at the end of the quarter to declare the VAT and then a purchase invoice (at the same date) to recover it again.

Post your **Sales Invoice** as follows:

(Dated End of Quarter)

	VAT Code	Net	VAT	Gross
SL V0008 / NL 9644				
PIVAT Declared	S	100,000	20,000	120,000
Reverse/remove Debtor	Z	-120,000	0	-120,000

Postings:

	Net	VAT	Gross
NL 9300			0
NL 9642		-20,000	
NL 9644	20,000		

Post your **Purchase Invoice** as follows:

(Dated End of Quarter)

	VAT Code	Net	VAT	Gross
PL V0009 / NL 9644				
PIVAT Recovered	S	100,000	20,000	120,000
Reverse/remove Creditor	Z	-120,000	0	-120,000

Postings:

	Net	VAT	Gross
NL 9300			0
NL 9640		20,000	
NL 9644	-20,000		

## 6. Fuel Scale Charges & RMI Charges

These are processed in the same way; you will need to post a sales invoice dated at the end of the quarter and it will charge the P&L with the appropriate VAT amount payable.

In this example P&L expense code 0080 8025 has been used.

Post your **Sales Invoice** as follows:

(Dated End of Quarter)

SL V0008 / NL 8025	VAT Code	Net	VAT	Gross
Fuel Scale Charge	S	100	20	120
Reverse/remove Debtor	Z	-120	0	-120

Postings

	Net	VAT	Gross
NL 9300			0
NL 9642		-20	
NL 8025	20		

## 7. VAT Period Close Errors.

If you find that a transaction has been posted in between submitting your VAT return and closing the VAT period; then this can be managed in the same way as above by raising a sales invoice or credit for Outputs and a purchase invoice or credit for Inputs.

Using the example of a purchase invoice:

(Dated End of Quarter)

PL V0009 / NL 9644	VAT Code	Net	VAT	Gross
Last qtr missing transaction	S	100	20	120
Reverse/remove Creditor	Z	-120	0	-120

Postings:

	Net	VAT	Gross
NL 9300			0
NL 9640		-20	
NL 9644	20		

The posting to NL 9642 will ensure the VAT is recovered this quarter whilst the posting to NL 9644 will contra the difference left from last quarter between the VAT calculated from the period close and the amount actually paid.

## 8. Audit Trail

When processing the above adjustments, it is advisable to create a document which can be filed as a record of the adjustment and forms part of the audit trail.

## 9. Exports

If you export vehicles, then you need to ensure that the net sale is included in total net sales, and this is achieved by choosing a VAT code of Z which will zero rate the sale whilst also including it in your VAT return. Otherwise, you could create a separate VAT code for exports and attach it to your Export SL Account and you must then also set it up in Magic Tax to be included in the Outputs calculations.

**Have a question about the Magic Tax Service?**

Contact the Magic Tax team on 0800 167 0844 or by email at [info@kfa.co.uk](mailto:info@kfa.co.uk)

### Disclaimer:

This document was compiled by an existing Keyloop DMS & Magic Tax user.

The instructions contained within this document are intended as suggestions of a method you could use to manage the manual adjustment postings within the Keyloop system prior to extracting your VAT Summary Report for use in Magic Tax.

There may be other ways to manage this depending on your Keyloop scenario/set-up and business processes.

Kingfisher Associates (UK) Ltd (trading as KFA Connect), developers of the Magic Tax solution cannot be held responsible for the adjustments made within the Keyloop system and it should be made clear that advice should be sought from your accountant and/or HMRC in these matters if you are unsure.

KFA Connect are not VAT experts, nor are our team qualified to give advice on such matters.