

MAGIC TAX

PROCESSING QUARTERLY VAT ADJUSTMENTS IN KEYLOOP DRIVE / AUTOLINE

The detail contained within this document was provided by an existing Keyloop & Magic Tax user.

The document gives examples of methods which 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 manual adjustments are made in Keyloop remains with the user as the Magic Tax team are not qualified to advise in this matter.

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Processing Quarterly VAT Adjustments in Keyloop Drive

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 amounts.

1. Sales Ledger Account

Create a new Sales Ledger account for internal VAT adjustments (e.g. SL V0009).

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 V0014).

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 a Sales Credit Note* at the end of the quarter to declare your VAT on deposits and then an Invoice* at the start of the next quarter to reverse it.

Post your **Sales Credit Note*** as follows:

(Dated end of Quarter)

	VAT Code	Net	VAT	Gross
SL V0009 / 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 **Invoice*** as follows:

(Dated start of Quarter)

	VAT Code	Net	VAT	Gross
SL V0009 / 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 Credit Note* at the end of the quarter to declare the VAT and then a Purchase Credit Note* (at the same date) to recover it again.

Post your **Sales Credit Note*** as follows:

(Dated End of Quarter)

	VAT Code	Net	VAT	Gross
SL V0009 / 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 Credit Note*** as follows:

(Dated End of Quarter)

PL V0014 / NL 9644	VAT Code	Net	VAT	Gross
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 Credit Note* 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 was used.

Post your **Sales Credit Note*** as follows:

(Dated End of Quarter)

SL V0009 / 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 Credit Note***:

(Dated End of Quarter)

PL V0014 / 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 for your VAT return, and this is best achieved by setting up a sales ledger account with a VAT code of zero (e.g. Z or E) to zero rate the sale whilst also including it in your VAT return. All export sales must then be invoiced using this account.

Notes

* As shown in the worked examples above there are two lines for each invoice or credit you post:

- a standard-rated transaction to record the VAT.
- a zero-rated transaction equal and opposite to the gross invoice/credit total.

This removes any debtor or creditor, which removes the need to pay and settle the invoice or credit separately.

In the Keyloop solution, the net transaction amount must be positive when the VAT transaction and debt removal lines are added together which isn't the case if you were to post invoices and credits as you normally would. Instead, it requires that to post an invoice, you post a negative credit (which gives the same result and works in the Keyloop system) and for a credit it's a negative invoice. See the worked examples above for more information.

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

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.