

Opera II (& Opera 16) : Reduction in Standard VAT Rate to 15%

What is the change?

From 1 December 2008, the standard rate of VAT will be reduced by 2.5% from 17.5% to 15%. We will outline the changes in more detail and how this could affect Opera II users.

Please note that this change only covers changes to Standard VAT and the following areas are not affected by this rule change:

- Goods and services subject to VAT at the 5% reduced rate
- Zero-rated goods such as children's clothes and food

Business Briefing PBRN26 from HMRC states the following:

If you are a business that sells mainly to other VAT-registered businesses and have to issue VAT invoices:

'You should use the new rate for all VAT invoices that you issue on or after 1 December 2008'

Except for where.....

- You provided goods or services more than 14 days before you issued the VAT Invoice. For example, if you issue a VAT invoice on 1 December for goods or services provided before 18 November 2008, or
- You were paid before 1 December 2008

In these cases, your sale took place before the 1 December and you must use the old rate of 17.5%.

The guidance provided from HMRC relating to this change is based on time of supply legislation which is referred to as the 14 day rule. Under the 14 day rule, if you issue an invoice within 14 days of goods or services being provided, the sale is treated as taking place when the invoice is issued. If the invoice is issued any later, the sale is treated as taking place when the goods or services are provided.

Listed below are a number of examples of how to interpret the 14 day rule.

| Order Date | Delivery Date | Invoice Date | Required VAT Rate % |
|------------|---------------|--------------|---------------------|
| 17/11/2008 | 17/11/2008 | 01/12/2008 | 17.50 |
| 17/11/2008 | 18/11/2008 | 01/12/2008 | 15.00 |
| 17/11/2008 | 18/11/2008 | 02/12/2008 | 17.50 |
| 17/11/2008 | 19/11/2008 | 02/12/2008 | 15.00 |
| 31/10/2008 | 31/10/2008 | 01/12/2008 | 17.50 |
| 30/11/2008 | 30/11/2008 | 01/12/2008 | 15.00 |
| 30/11/2008 | 30/11/2008 | 14/12/2008 | 17.50 |
| 30/11/2008 | 30/11/2008 | 15/12/2008 | 17.50 |

Other issues for consideration/implementation

- In order to minimise disruption to your business, you may elect on the last working day in November 2008 to invoice all possible SOP/Invoicing transactions through your usual means of invoicing. You must process any due Repeat Invoices and any outstanding Credits. This would mean you would pay output VAT at 17.5% but would ensure a smoother transition to the new rate change.
- Other issues for consideration/implementation
- We would recommend saving a backup prior to any changes

- 1 1 December 2008: create new VAT Codes for Standard Home Sales and Standard Home Purchases for old rates at a rate of 17.5% with an effective date of 1 December 2000. Location: System, Maintenance, VAT Processing.
- 2 1 December 2008: Edit existing VAT Codes for Standard Home Sales and Standard Home Purchases and set at a rate of 15% with an effective date of 1 December 2008. Location: System, Maintenance, VAT Processing.
- 3 1 December 2008: you need to edit all lines of all Sales Documents, Proformas, Quotations and undelivered Orders to affect the rate change. Important: Every transaction line needs to be changed and saved.
- **To ensure a transaction is set to the old rate**, you will need to set the VAT code to the old rate.
- Repeat this duplication process for any other vat codes your are using at 17.5%

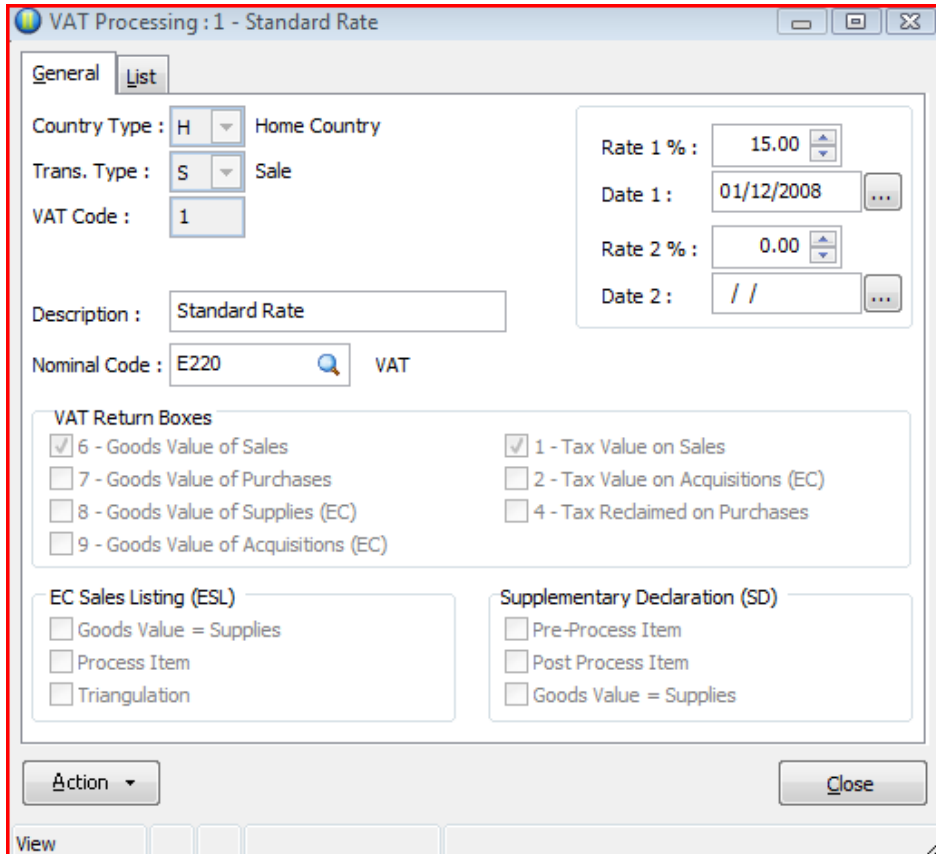
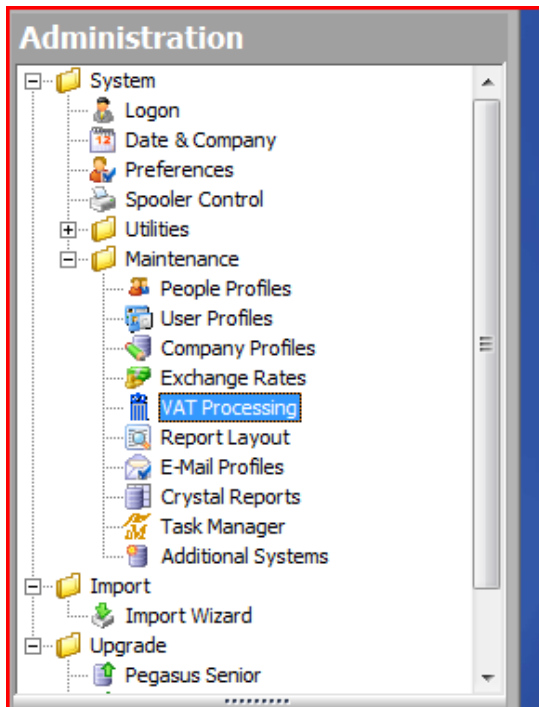
From this date forward, any new transactions processed will be at the new Standard VAT Rate of 15%.

For any un-invoiced, but delivered SOP Orders (where stock is issued at the point of delivery) you will need to consider the 14 day rule:

- If the 14 day rule applies you will need to account for any Standard Rate VAT at the new 15% rate. **Therefore you will need to edit and save every transaction line where the original Standard VAT (17.5%) rate was applied.**
- If the 14 day rule does not apply you can process as normal.

Note: Please see screen shots below

Opera II Screenshots for updating VAT codes and rates



VAT Processing : 3 - Old Vate Rate

General List

Country Type : H Home Country
 Trans. Type : S Sale
 VAT Code : 3

Rate 1 % : 17.50
 Date 1 : 01/01/2000
 Rate 2 % : 0.00
 Date 2 : / /

Description : Old Vate Rate

Nominal Code : E220 VAT

VAT Return Boxes

6 - Goods Value of Sales
 7 - Goods Value of Purchases
 8 - Goods Value of Supplies (EC)
 9 - Goods Value of Acquisitions (EC)

1 - Tax Value on Sales
 2 - Tax Value on Acquisitions (EC)
 4 - Tax Reclaimed on Purchases

EC Sales Listing (ESL)

Goods Value = Supplies
 Process Item
 Triangulation

Supplementary Declaration (SD)

Pre-Process Item
 Post Process Item
 Goods Value = Supplies

Action Close

View

Opera 16 Screenshots for updating VAT codes and rates

| | | |
|--------------------|---------------|-----------------|
| ESC Cancel | F1 Help | Ctrl+F Diary |
| S ystem | S ales | P urch |
| Logon | | |
| Date & Company | | |
| Preferences | | |
| Utilities | | |
| Personalised Forms | | |
| Spooler Control | | |
| People Profiles | | |
| User Profiles | | |
| Company Profiles | | |
| Exchange Rates | | |
| VAT Processing | | |
| Manuals | | |
| About System | | |
| Quit | | |

