The Purchase of Services from Overseas

When a department buys a service from overseas (either from within the EC or beyond) it will need to 'self-account' for VAT at 20% on that service. A tax rate has been created in CUFS to deal with this change. The following example illustrates how the tax will apply.

The Finance Division buys tax advice from a French tax advisor for £1,000. The French tax advisor is given our VAT number and therefore does not charge French VAT. The invoice is entered on to CUFS and the new tax code is chosen.

This code generates two entries – one of which calculates a VAT amount (at 20% of the invoice value) to be paid to HM Revenue and Customs and the second an equivalent amount chargeable to the department (except where the charge is made against a VAT reclaimable account).

The total cost to the department, assuming no reclaim, is £1,200. The payment to the supplier will be £1,000.

Invoice Header

a. This process is essentially the same as buying taxable goods from the EC. Remember to enter zero in the VAT Control Amount field.

In the Lines Screen

b. Enter the net amount.

c. Select the EC rate of Services Tax in the Tax Name field.

d. Review descriptions If you wish to amend the description of any line then ensure it is done now as once tax is calculated you cannot amend.

e. Code to either a GL or project.
f. Click on the **Calculate Tax** button. The tax lines will appear, together with a negative tax line. This should not be removed or amended as it is required by the University Tax team.

g. If you would like to see all codes for all lines: click on **All Distributions**.

h. **Actions ...1** and **Validate**. The supplier will be paid as per the value of the invoice.

   However, unless you have charged the items to GL accounts/projects which are ‘VAT recoverable’, the self-assessed ‘tax’ will be an additional cost to your department in the same way that VAT is normally.