VAT Only Credit Memo

A Credit Memo is a tool that can be used to make adjustments where there have been billing errors raised against your customer’s overall account. The Credit will be linked to a specific sales invoice and will appear on the customer’s statement.

Credit memos can be used for VAT only, external trading and internal trading transactions.

Navigate: Transactions → Transactions

Step 1: Creating the Header

Once you have navigated to the transaction screen, complete the fields listed below: (remember all yellow fields are mandatory and must be completed)

- **Source**: Manual Invoice defaults in, do not change
- **Class**: XX Credit Memo
- **Date**: Date of transaction created (can adjust as has no impact on due date)
- **GL Date**: The date the transaction will reflect in your departmental accounts
- **Currency**: Ensure you use the currency as the original invoice normally GBP. You can use Euro and USD however, all losses on exchange rates are the responsibility of the department.

When you are crediting back a line from an invoice or an entire invoice it is important to ensure that the credit is coded back to the same account code that was used on the original invoice.
Step 2: The Reference Information tab

a) **Reference Information** Enter a valid reason for the credit from list of values.

b) **Customer Reference** Enter the invoice number the credit relates to

- **Reference Information** tab
  - Reason: Wrong Tax Rate
  - Customer Reference: 731949
  - Customer Reference Date
  - Rules Method
  - Split Term Method

- **Main** tab
  - Click back the **Main** tab

Step 3: Main Tab

Enter the **Bill To** information:

- **Main** tab
  - **Ship To** section
    - Name: A & C BLACK PUBLISHERS LTD
    - Address: ATTN: LUCIA LATIMER THEATRE & REFERENCE 57 SOHO SQUARE, LONDON, W1D
    - Contact:

- **Bill To** section
  - Name: A & C BLACK PUBLISHERS LTD
  - Number: 333099

- **Sold To** section
  - Name: A & C BLACK PUBLISHERS LTD
  - Number: 333099
  - Location: LONDON

- **Paying Customer** section
  - Name: A & C BLACK PUBLISHERS LTD
  - Number: 333099
  - Location: LONDON

a) Enter the customer details by placing the cursor into the first line of the **bill to** section.

b) Click on the **list of values**, enter the customer name and click **find**. This will display the results that match your search criteria.

c) **Select** the correct customer you wish to use and ensure it matches the original invoice.

*Alternatively, if you know the customer number: enter it in the second line of the bill to section and tab.*

- **Payment terms** will default in as **Immediate**.
- **Due date** is irrelevant as we are not due a payment
- **Sold To** fields will automatically populate based on customer selected
- Paying customer fields automatically populate based on customer selected
Step 3: More Tab

This tab has additional fields you must populate.

   a) **Salesperson** – using the list of values, search and enter the salesperson details (pre requisite Setting up a salesperson)

   b) **Purchase order number** - enter it in this free text field

![More Tab Image]

Step 4: Line Items

This is where you enter the details of the products or services you are providing.

VAT only credit notes must be entered onto the system exactly as shown; otherwise the VAT may not credit back directly to the VAT account.

1. Credit the entire invoice line in full using the original tax code
2. Re-bill the customer for the entire invoice line using the correct tax code

![Line Items Image]
Line 1
- **Description** – This is a free text field where you enter the details of invoice you are crediting
- **Unit Of Measure (UOM)** – Optional field and chose appropriately
- **Quantity** – You must enter the a **negative value** here
- **Unit Price** – Value of product or service you provided
- **Amount** – Automatically populates after quantity and unit price have been entered
- **Tax classification** – defaults in based on customer set up. To change the tax classification, click on list of values and select appropriate option ensuring it is the same as the original invoice

Line 2
- **Description** – This is a free text field where you enter the details of invoice you are crediting
- **Unit Of Measure (UOM)** – Optional field and chose appropriately
- **Quantity** – You must enter the a **positive value** here
- **Unit Price** – Value of product or service you provided
- **Amount** – Automatically populates after quantity and unit price have been entered
- **Tax classification** – defaults in based on customer set up, however you will need to select the **correct VAT code** from the list of values, e.g. exempt, zero-rated or outside the scope.

Once your lines are complete, you must update the accounting information by clicking on the **Distributions** button.

**Step 5: Entering Distribution Codes**

Once you have clicked on distributions, the following screen displays. **You must only change the revenue line.** To view all lines as seen below, click on the drop down arrow and select Account for all lines.

- Ensure you use the same **Distribution Codes as the original Invoice**
The next step is for the invoice to be checked and completed before printing (refer to guidance Completing a Transaction on this process).

Once the **Credit memo** has been completed, you will need to apply the credit memo to the original invoice and send a copy of the credit memo to the customer. To apply the transactions together refer to **Matching Credit to Invoice** process.