VAT only transactions

VAT only credit memos

When are VAT only credit memos used?
Where VAT has previously been incorrectly charged to a customer on a sales invoice. The credit memo is applied back to the original invoice and so that it is the adjusted value that appears on the customer’s statement.

Navigate: Transactions → Transactions

Step 1: Creating the header
A credit memo is a type of “transaction” in CUFS.

a) Navigate: Transactions > Transactions

b) Complete the fields below:

<table>
<thead>
<tr>
<th>Source</th>
<th>Manual Invoice defaults in, do not change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class</td>
<td>Credit Memo</td>
</tr>
<tr>
<td>Type</td>
<td>XX Credit Memo</td>
</tr>
<tr>
<td>Date</td>
<td>Date of transaction created (can adjust as has no impact on due date)</td>
</tr>
<tr>
<td>GL Date</td>
<td>The date the transaction will reflect in your departmental accounts</td>
</tr>
<tr>
<td>Currency</td>
<td>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.</td>
</tr>
</tbody>
</table>

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 3: Main tab – enter customer details

Enter the Bill To information:

- Enter the customer details by placing the cursor into the first line of the bill to section.
- Click on the list of values, enter the customer name and click find. This will display the results that match your search criteria.
- 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.

Step 3: More tab – add salesperson and optionally the purchase order number

a) Salesperson

Search and select from pre-defined list of values (see Setting up a salesperson).

b) Purchase order number

Enter in this free text field if customer has provided one.
**Step 4: Reference information tab – enter reason and sales invoice number**

a) **Reason** 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](Image)

**Step 5: Line Items**

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
2. Re-bill the customer for the entire invoice line using the correct tax code

![Line items](Image)

a) **Line 1** - reverse out the line from the original invoice
   - **Description** A free text field - enter the details of invoice you are crediting
   - **UOM** Unit of Measure – optional field, chose appropriately
   - **Quantity** Enter a **negative value** here
   - **Unit Price** Value of product or service you provided
   - **Amount** Calculates once quantity and unit price have been entered
   - **Tax classification** Use the same tax code as the original line that is being credited
b) Line 2 - re-enter the item with the correct tax code
   - **Description** A free text field - enter the details of invoice you are crediting
   - **UOM** Unit of Measure – optional field, chose appropriately
   - **Quantity** Enter a **positive value** here
   - **Unit Price** Value of product or service you provided
   - **Amount** Calculates once quantity and unit price have been entered
   - **Tax classification** Select the **correct VAT code** from the list of values, (e.g. exempt, zero-rated or outside the scope).

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

**Step 6: Entering distribution codes**

<table>
<thead>
<tr>
<th>Accounts For All Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>GL Account</td>
</tr>
<tr>
<td>Accounts For All Lines</td>
</tr>
<tr>
<td>Receivable</td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Tax</td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Tax</td>
</tr>
</tbody>
</table>

**Remember: only change the revenue line.**

a) Click on the drop down arrow and select **Account for all lines** to view all lines as seen below.

b) Update the **GL account codes** on the **Revenue** lines as **per the original invoice**.

c) Navigate back up to the **Transaction** page by closing this page and its associated **Lines** page.

d) **Complete** the credit note

e) **Apply** the credit memo to the original invoice and send a copy of the credit memo to the customer (see **Matching Credit to Invoice** guidance).
**VAT only invoices**

When are VAT only invoices used?

Where the University has under-charged VAT to a customer on a previous sales invoice and needs to account retrospectively for this amount.

**Navigate: Transactions → Transactions**

**Step 1: Creating the Header**

An invoice is a type of “transaction” in CUFS.

c) Navigate: Transactions > Transactions

d) Complete the fields below:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>Manual Invoice defaults in, do not change</td>
</tr>
<tr>
<td>Class</td>
<td>Invoice</td>
</tr>
<tr>
<td>Type</td>
<td>XX Invoice</td>
</tr>
<tr>
<td>Date</td>
<td>Date of transaction created (can adjust as has no impact on due date)</td>
</tr>
<tr>
<td>GL Date</td>
<td>The date the transaction will reflect in your departmental accounts</td>
</tr>
<tr>
<td>Currency</td>
<td>Ensure you use the currency as the original invoice e.g. GBP.</td>
</tr>
</tbody>
</table>

*When raising a VAT invoice, it is important to ensure it is coded to the same account code used for the related, original invoice.*
Step 2: Main tab – enter customer details

Enter the **Bill To** information:

- Enter the customer details by placing the cursor into the first line of the **bill to** section.
- Click on the **list of values**, enter the customer name and click **find**. This will display the results that match your search criteria.
- **Select** the correct customer you wish to use.
  
  *Alternatively, if you know the customer number: enter it in the second line of the **bill to** section and tab.*

Step 3: More tab

![Image of AR Detailed Procedure]

**c) Salesperson**  
Search and select from pre-defined list of values (see *Setting up a salesperson*).

**d) Purchase order number**  
Enter in this free text field if customer has provided one.
Step 4: Line Items

VAT only invoices should be entered as two lines;

Line 1: For the original invoice amount, but charged to the correct VAT code e.g. SR20%
Line 2: A negative line for the same net amount using the original VAT Rate (ZR/OS/EX)

Line 2 reverses out the Line 1 gross amount, leaving only the VAT amount we wish to charge.

a) Line 1 - enter original invoice amount, with correct tax code

- **Description**: A free text field – enter details of original invoice transaction relates to
- **UOM**: Unit of Measure – optional field, chose appropriately
- **Quantity**: Enter a **positive value** here
- **Unit Price**: Value of product or service you provided
- **Amount**: Calculates once quantity and unit price have been entered
- **Tax classification**: Use SR20% tax code to account for VAT on original invoice

d) Line 2 - reverse out line from original, incorrect zero-rated invoice.

- **Description**: A free text field – enter details of original invoice transaction relates to
- **UOM**: Unit of Measure – optional field, chose appropriately
- **Quantity**: Enter a **negative value** here
- **Unit Price**: Value of product or service you provided
- **Amount**: Calculates once quantity and unit price have been entered
- **Tax classification**: Select the **correct original invoice VAT code** (e.g. zero-rated, exempt, out of scope)

e) 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. This is where you enter the codes as to where the income is to go to. **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.

- The revenue GL account will automatically populate. The code must be changed using the list of values to choose:

  a) The correct cost centre segment (area of activity) e.g. ??BA

  b) The transaction segment (income code: L____ or K__). However, if a standard memo line was used, the transaction segment of the account will default in automatically, but you will still need to amend the cost centre segment.

Repeat steps a) and b) for each line of the invoice and **Save.**