

## FINANCE

### FMS6 PROCEDURE NOTE – No 43

#### VAT Returns – VAT Tolerances Correction Before the VAT Submittal Report has been printed

Revised March 2021

**Please note that this is a brief procedure note not a training document.**

#### **Check VAT Actual and VAT Memo Amounts on the VAT Full Report – as referred to in FMS6 Procedure Note 42 Stage 2.**

For VAT codes where VAT is paid, ie, VAT codes G and H, two types of VAT amount will be given for each invoice processed during the month:

- VAT Actual £ - the total VAT paid for the invoice posted to FMS6
- VAT Memo £ - the VAT automatically calculated by FMS6 for each line of the invoice

VAT Code	Date	Ledger Code	Trans. Type	Transaction Reference	Description	Supplier/Debtor	Outputs Net	Inputs Net	VAT Actual	VAT Memo
H	01/11/2013	E19-01	IP	card	testing	Alpha Plumbing Service	0.00	240.00	48.00	48.00
H	01/11/2013	E19-01	IP	tester invoice	tester invoice	Alpha Plumbing Service	0.00	500.00	100.00	100.00

Total for Memo VAT: 148.00

Total for VAT Code H: 0.00 740.00 148.00

You must check the subtotals for VAT codes G and H to ensure that both the VAT Actual & VAT Memo amounts agree (a difference of 20p or less is acceptable as this allows for penny variances on individual invoices).

**Please note** - Where there is a large volume of transactions, it is possible that the 20p difference will be exceeded on the VAT code totals, but will not be due to an individual entry, it will be due to penny variances on a number of invoices. This is most likely to apply to Secondary Schools. If this is the case please contact **Schools Financial Services** before you continue any further.

If there is still a difference, the individual entries on the VAT code will need to be checked to identify each invoice where the VAT Actual and VAT Memo amounts differ by more than 20p. You will then need to check the original documentation to determine why there is a difference; it is likely that the correct amount of VAT has been claimed and that the net amount has not been split between the correct VAT codes.

*Please refer to the VAT Manual for information on the correct VAT categories. This can be found on Kelsi (School Finance – Returns and Monitoring – VAT and income tax)*

To correct this invoice you will need to raise a credit note and enter the net amounts **exactly** as they were processed originally, ie, create a mirror image, (note: you will need to override the VAT amount in order to match the original error). A non-order invoice is then required ensuring that the net amounts are charged to the correct VAT codes. Finally, process a cheque run for the credit note and the invoice; it should produce a zero cheque.

Corrections **must not** be made using the cash book journal route as the entries will be posted to the following VAT period.

Once the correcting entries have been posted, reprint the VAT Full Report and recheck that the VAT Actual & VAT Memo totals are now correct. Return to Procedure Note 42 'VAT Returns - VAT Automation for FMS6 Schools' Stage 3.

Should you have any difficulties with this procedure note please contact **Schools Financial Services** on **03000 415 415**