

Help Sheet Tax Changes January 2010.

As per the new HMRC tax changes which will come into effect as of the 1st January 2010, we have now outlined the changes needed and information for Operall.

VAT Increase to 17.5%: 1 January 2010

The UK Government announced earlier this year that the rate of Standard VAT in the UK will increase back to 17.5% (after it was temporarily reduced to 15.0% on 1st December 2008) on 1 January 2010.

Opera II

Opera II was amended in version 6.70.00 to use the Rate 2% field on the VAT Code when progressing SOP documents (Orders, Quotes etc) to Invoices; this should cater for the needs of the vast majority of the user base.

- For customers using version 6.70.00 or later, the Rate 2 fields on the VAT Processing Form needs to be updated with 17.5% effective from 1/1/2010.
- For customers with earlier versions than 6.70.00 of Opera II, the VAT Utility provided in November 2008 will need to be run if they have un-invoiced, SOP/Invoicing transactions with a VAT rate of 15.0%.

However, there could be exceptions.

If the goods are provided before the increase in VAT e.g. 22/12/2009 and then billed after the VAT increase e.g. 02/01/2010, the user can opt to apply a 15.0% VAT charge to the Invoice.

This is valid as the issue of stock was made whilst the VAT Rate was 15.0% and the Invoice was raised within 14 days of supply.

This option is entirely customer preference and can be implemented either way.

For further details please see <http://www.hmrc.gov.uk/vat/forms-rates/rates/rate-rise-guidance.pdf>

There are also new changes regarding Cross boarder VAT changes which have been outlined below.

Cross Border VAT Changes

Changes to the EC Sales List format

As of 1 January 2010, it will be a legislative requirement for a UK VAT Registered Business to declare any Intra-EC Services that they receive from a VAT Registered Supplier in the EC on the EC Sales List (ESL - VAT 101 form).

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The ESL currently includes the supply of business-to-business (B2B) goods to customers in the EU.

From 1 January 2010, ESLs are required for B2B supplies of services. The default reporting frequency for both goods and services on the ESL will be monthly. But businesses may be able to opt to submit quarterly ESLs for services only.

The amount of time that HMRC and other tax administrators in the EU are allowed to collect and exchange data between each other is being reduced to one month. This means that businesses are likely to have a certain number of days after the end of the reporting period to submit their ESLs:

- 14 days for paper ESLs
- 21 days for electronic ESLs

Note: Intra-EC Services must (still) not be included on the SD report.

Please note that the first new format EC Sales List will require submission by the middle of February 2010. Details of the changes can be found on <http://www.hmrc.gov.uk/vat/ec-sales-lists.pdf>

Thresholds and Reporting Periods

During the period 1 January 2010 to 31 December 2011 quarterly ESLs can still be submitted if:

- The total quarterly value of supplies of intra-EC goods, (excluding VAT), does not exceed £70,000 in the current quarter, or any of the previous 4 Quarters.

The place of supply for suppliers or customers of services

The place of supply is used to decide where VAT must be paid and how VAT should be accounted for.

From 1 Jan 2010 the place of supply for Intra-EC services changes to where the customer is, rather than where the supplier is. UK businesses need to account for VAT on these services as both the customer and the supplier of the service. The supplier will not account for VAT in their country. This is done under the so called 'Reverse Charge' provisions, which is also called the 'tax shift'.

The VAT Return will be updated by the customer for both the supply of the service by the supplier and the receipt by the customer. A Service Item VAT Code will automatically update the following boxes:

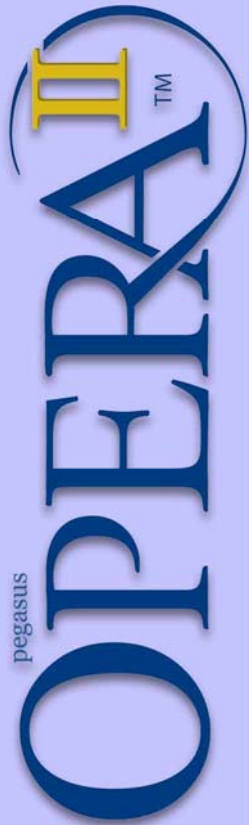
- Box 1 - the amount of output tax (VAT due on sales)
- Box 4 - the amount of input tax (VAT due on purchases)
- Box 6 - the value of the supply (total value of sales)
- Box 7 - the value of the supply (total value of purchases)

With the new VAT changes there is also going to be a change in the submissions policy as below.

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VAT Filing Online

The HMRC VAT online service helps businesses to file VAT returns quickly and make electronic payments.

VAT management will be switching to online filing and electronic payment only from April 2010. If turnover is more than £100,000, businesses will have to file their VAT return online for accounting periods that start on or after 1 April 2010.

Or if businesses register for VAT on or after April 1 2010, they will have to file online regardless of turnover. (Source: www.hmrc.gov.uk)

Opera II and Opera Accounts users can easily file their VAT returns online using the HMRC website, so we have no plans to change our products.

Pegasus Releases

Please also find enclosed Operall 6.72.00. This is the latest Pegasus update which holds enhancements and also the amendments to the VAT data for all EC VAT Changes which are detailed above. We would strongly advise all customers to upgrade to this version if using EC Vat to make sure all changes have been implemented in the system. Also all Non EC Vat customers will benefit from the upgrade, as it will make sure all SOP documents (Orders, Quotes etc) to Invoices will be amended correctly rather than needing the run the Vat utility.

Please see covering letter for details on how to book an upgrade.

As per below, if you are not already on 6.70.00 or above and do not need to implement any of the EC Vat changes, the VAT utility is available to recalculate the VAT rates on SOP documents also.

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