VAT GUIDANCE FOR CODERS

Non Purchase Order (PO) invoices are input into Agresso by the Payments Team in Finance and are coded to the Accounts Payable (AP) Suspense Account (S101) and the Cost Centre of the department that the invoice belongs. This enables the invoice to be directed via workflow to the person in the department who is responsible for coding invoices. There is an eLearning module on Moodle which can be accessed via the Agresso Learning Resources webpage, http://www.rhul.ac.uk/restricted/contensis/finance/agressolearningresources.aspx. This document is intended to supplement this module and assumes that the coder has seen the eLearning material and understands the process of coding invoices.

The Tax Codes that can be used are in the table below:

<table>
<thead>
<tr>
<th>Tax Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PS</td>
<td>Purchases Standard Rated (20%)</td>
</tr>
<tr>
<td>PL</td>
<td>Purchases Lower Rate (5%)</td>
</tr>
<tr>
<td>PZ</td>
<td>Purchases Zero Rate (0%)</td>
</tr>
<tr>
<td>PE</td>
<td>Purchases Exempt</td>
</tr>
<tr>
<td>PR</td>
<td>Purchases Reverse Charge</td>
</tr>
<tr>
<td>PO</td>
<td>Purchases Outside Scope</td>
</tr>
<tr>
<td>PA</td>
<td>Purchases Advertising Exemption Zero Rating (0%)</td>
</tr>
<tr>
<td>PM</td>
<td>Purchases Medical Exemption Zero Rating (0%)</td>
</tr>
<tr>
<td>PD</td>
<td>Purchases Disabilities Zero Rating (0%)</td>
</tr>
</tbody>
</table>

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1. Coding a Standard Rated (20%) Invoice

Click on a Workflow Task and that opens the Registration of Incoming invoices screen and displays a copy of the invoice that is attached to the task. Click on the Accounting tab on the screen and this will show the GL analysis line as below:

One will be able to see from the above line that the AP Suspense Account (S101) has defaulted to Tax Code 0; this is because the S101 account is a balance sheet account and not an expenditure account. Tax Code 0 is not to be used with any expenditure accounts. If one over types the S101 line rather than adding a line, as per the following instructions, and the Tax Code is not changed the coding task will be returned to you until the Tax Code has been changed from Tax Code 0.

When one compares this to the image of the invoice; one will be able to see that the total of the invoice including VAT is the same as the amount on the GL analysis line. Click on the ADD button which will add another line with all the fields displayed. Enter the Account and Sub-project and any other information required and the CostC and Project will default as will the Tax code and Tax System. The Tax System code is set up at sub-project level and it is not necessary to change this. However, the Tax Code needs to be amended to reflect the rate of VAT that has been charged on the invoice. In the example invoice below, the rate of VAT that has been charged is 20% which is called standard rated and the code within Agresso for this is Purchases Standard Rated (PS).
Tyrrells®
Hand Cooked English Crisps

Royal Holloway University of London
Fm Control Office: Rhu
Egham Hill
Egham
Surrey TW20 0EX
Great Britain

Invoice No. PS278165
Invoice/Tax Date: 19/09/13
Order No. GEMMA
Account No. C21204
VAT Reg. No. 8073553.54

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Description</th>
<th>Unit Price</th>
<th>Line discount %</th>
<th>Amount</th>
<th>VAT %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Lightly Salted 40g x 24</td>
<td>9.46</td>
<td></td>
<td>18.92</td>
<td>20</td>
</tr>
<tr>
<td>1</td>
<td>Cider Vinegar 40g x 24</td>
<td>9.46</td>
<td></td>
<td>9.46</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Ludlow Sausage 40g x 24</td>
<td>9.46</td>
<td></td>
<td>18.92</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Barbecue 40gx24</td>
<td>9.46</td>
<td></td>
<td>18.92</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Chicken 40gx24</td>
<td>9.46</td>
<td></td>
<td>18.92</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Brie and Bacon 40g x 24</td>
<td>9.46</td>
<td></td>
<td>18.92</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Lobster, Chilli, Garlic 40gx24</td>
<td>9.46</td>
<td></td>
<td>18.92</td>
<td>20</td>
</tr>
</tbody>
</table>

**Shipped To:** Gill Fawcett
Royal Holloway Uni of London
Hub
Egham Hill
Egham
Surrey TW20 0EX
Great Britain

**Total GBP Excl. VAT:** £122.98
**VAT Amount GBP:** £24.60
**Total GBP Incl. VAT:** £147.58
The GL analysis line will look like this after the Account and Sub-Project has been entered but before the Tax Code has been changed.

To change the Tax Code highlight the value in the Tax Code field and press the Backspace key, this will clear the field. Click on the down arrow next to the field and a list of values will appear. Scroll down the list until the PS Purchases Standard Rated value is highlighted and click this will populate the field with the value. The GL analysis line will now look like this:

Accept the value in the Tax System field and click into the posted amount field. Enter the NET amount from the invoice in this field NOT the GROSS amount. In the example above the net amount is £122.98.

*NET amount is the amount excluding VAT and the GROSS amount is the amount including VAT.*

The GL analysis line will now look like this:

One will note that Agresso has calculated the VAT amount and entered the amount in the Tax Amount field. If you compare this amount to the invoice (the item circled in red) above you will see that the amounts agree.

The next step is to click on the line that is coded to S101 so that it is highlighted and click the box next to the line and click the Delete button so that the line disappears, as below:

Click the SAVE button on the top of the screen. This will complete the coding task process and the invoice will be sent via workflow to be approved.
2. Coding a Multi VAT Invoice

Click on a Workflow Task and that opens the Registration of Incoming invoices screen and displays a copy of the invoice that is attached to the task. Click on the Accounting tab on the screen and this will show the GL analysis line as below:

<table>
<thead>
<tr>
<th>Account</th>
<th>Costc</th>
<th>Description</th>
<th>Currency</th>
<th>Tax code</th>
<th>Tax system</th>
<th>Posted amount</th>
<th>Tax amount</th>
<th>Discount</th>
<th>Workflow state</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID 01</td>
<td></td>
<td></td>
<td>GB£</td>
<td>0</td>
<td></td>
<td>411.07</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

When you compare this to the image of the invoice; one will be able to see that the total of the invoice including VAT is the same as the amount on the GL analysis line. A closer inspection of the invoice will indicate that there are items being invoiced where some are 0% VAT and some are 20% VAT, see below:
This means that an extra line needs to be added for each of the different VAT rates. Decide which VAT rate one is going to process; in this example one is going to process the 20% VAT entry first. Follow the instructions under Section 1 Coding a Standard Rated Invoice. The GL analysis line should look like this afterwards.

Then process the 0% VAT entry, click on the ADD button which will add another line with all the fields displayed. Repeat the process by adding the Account Code and Sub-project in the relevant fields and the screen should now look like this.

To change the Tax Code highlight the value in the Tax Code field and press the Backspace key, this will clear the field. Click on the down arrow next to the field and a list of values will appear. Scroll down the list until the PZ Purchases Zero Rated value is highlighted and click this will populate the field with the value. The GL analysis line will now look like this:

Accept the value in the Tax System field and click into the posted amount field. Refer to the invoice, find the amount on the invoice that has 0% VAT indicated against it and enter this amount into this field. In the above example the amount is £237.06. The GL analysis line should look like this:
The next step is to click on the line that is coded to S101 so that it is highlighted and click the box next to the line and click the Delete button so that the line disappears, as below:

One will note that the details in the Amounts box agree to the totals on the invoice, as below:

Click the SAVE button on the top of the screen. This will complete the coding task process and the invoice will be sent via workflow to be approved.

Please Note:
In the above example the total of the invoice was coded to one sub-project which necessitated two lines one for each tax rate. If there were more than one sub-project and this was split across the different tax rates then the individual coding lines would be multiplied accordingly i.e. sub-project A goods @ 20% and 0% and sub-project B goods @ 20%. This would mean that one would enter three GL analysis lines, as follows:

Line 1 – sub-project A tax code PS amount £x (net)
Line 2 – sub-project A tax code PZ amount £y
Line 3 – sub-project B tax code PS amount £c (net)
3. Explanation and Use of Other Tax Codes

There are other Tax Codes that can be used and listed below is an explanation of when it is appropriate for them to be used.

- **Purchases Exempt (PE)** – This is to be used when the supplier states on their invoice that the goods/services are exempt. e.g. Rent of rooms at Senate House, Annual contribution to UOL,

- **Purchases Lower Rate (PL)** – 5% VAT. This is to be used only when the supplier has charged 5% on their invoice e.g. Electricity for residences.

- **Purchases Medical Exemption Zero Rating (PM)**. This is ONLY to be used with Medical Research sub-projects and mainly affects Biological Science and Psychology departments. Purchase Orders are required to be raised for these types of goods and a VAT Exemption certificate should accompany the purchase order.

- **Purchases Advertising Exemption Zero Rating (PA)**. RHUL is a registered charity and all advertising costs are zero rated for VAT. Purchase Orders are required to be raised for these types of goods and a VAT Exemption certificate should accompany the purchase order.

- **Purchases Disabilities Exemption Zero Rating (PD)**. This is a specialist VAT rating and would only apply to certain capital building and refurbishment works and would normally only affect the Estates department.

- **Purchases Reverse Charge (PR)**. This is to be used on supplier invoices where the supplier is based outside the UK but within the EU.

- **Purchases Outside the Scope (PO)** –
  - This is to be used on supplier invoices where the supplier is based outside the EU i.e. USA, Switzerland.
  - This is to be used on UK suppliers/sole traders/individuals where they are not registered for VAT. If there is no VAT number on the supplier’s invoice assume that they are not registered for VAT.