



Further guide to Prompt Payment Discount

Opera 3 (2.23+)

Opera II (7.43+)

Further guide to Prompt Payment Discount (Version 1.1)

Opera 3 (2.23+)

Opera II (7.43+)

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Is this guide for you?

This guide is relevant if you offer or receive prompt payment discount. It supersedes the first guide written for the prompt payment discount changes, which were introduced on 1 April 2015.

The guide will help you understand:

- The changes made to Pegasus Opera 3 (2.23+) and Pegasus Opera II (7.43+) that make it easier to deal with the new rules for prompt payment discount.
- The new steps you need to follow to set up the Sales and Purchase Ledgers.
- How to deal with different sales and purchase scenarios that include settlement discount.
- How transactions that include settlement discount update different data records in Opera.

Note: In Opera prompt payment discount is referred to as settlement discount. This guide uses the same terminology as Opera.

How the rules for settlement discount changed on 1 April 2015

When processing an invoice, VAT must be calculated on the goods value before any settlement discount is applied. This applies to any business that either receives or gives settlement discount when paying an invoice.

HMRC must now receive the full value of VAT on an invoice if the settlement discount is offered but not taken. Any un-billed sales orders posted before 1 April 2015 require billing under the new rules.

You must make sure that, on payment, you only recover the VAT actually paid.

How to account for settlement discount in Opera

Previously in Opera the only way to post adjustments to the VAT Return for settlement discount was to post a credit note.

Now there are two ways of posting VAT adjustments to account for settlement discount:

- Posting a credit note (introduced in an earlier release)
- Posting a 'VAT Return Adjustment' (new in this release).

After you install Opera 3 (2.23+) or Opera II (7.43+), and run Update Data Structures the method of adjusting the VAT Return is automatically set to 'Credit Note' for all customers and suppliers.

However, your preferred method may be different for some customers and suppliers. For example, you may not want to issue credit notes to your customers when they take advantage of settlement terms, but your suppliers may insist on issuing credit notes to you.

- In the Sales Ledger you can set which method to use for all your customers with the option of overriding the method for individual customers if required.
- In the Purchase Ledger you can set which method to use for each individual supplier.

The steps you need to follow to update the Sales and Purchase Ledgers. For details, see "**New setup steps: Purchase Ledger**" on page 16 and "**New setup steps: Sales Ledger**" on page 17.

Updated Opera 3 & Opera II versions

These are the updated versions:

- Opera 3 (2.23+)
- Opera II (7.43+).

Notes: Please also use the F1 Help to understand the new options, boxes, and forms. You must run **Update Data Structures** after upgrading your software.

Changes in the Purchase Ledger

Setting the method for settlement discount VAT reductions

In the Purchase Ledger you must set the settlement discount reductions method on the **Terms** form linked to the supplier record. As each supplier may require you to deal with VAT Return reductions differently, there is no overall setting on the **Set Options** form in the Purchase Ledger.

Due Date Options : Number of Days After Invoice 0 Day(s)

Settlement Discount

Days 1 : 14 10.00 %

Days 2 : %

Include Delivery Charges

VAT Return Reduction By : VAT Adjustment

VAT Code (for foreign supplier) : VAT Adjustment

Pay By : Cheque

Inv. Approval :

VAT Inclusive

Note: If credit notes are used for VAT reductions the payment must be posted on account. After the payment is posted the invoice and credit note should be allocated against the payment to complete the transaction.

Authorise Cheques & Authorise BACS

In the previous release you could not pay invoices with settlement discount using **Authorise Cheques/BACS**. Now invoices with settlement discount posted in Opera 3 (2.23+) and Opera II (7.43+) can be paid using these commands.

New Columns

The discount on goods and VAT are shown in new columns on the **Authorise Cheques/BACS** details forms. The columns are displayed last in the grid but can be moved if required.

If you use the **Remember form positions and sizes** option on the **User Preferences** form in the System Manager, you will need to reset the grid views to see the new columns.

Due Date	x	Paid	Curr	Payee	Sup Type	Disc. on Goods (Home)	Disc. on VAT (Home)
27/05/2015	No	0.00		Carters and Company	CO	0.00	0.00
18/05/2015	No	0.00		Carters and Company	CO	0.00	0.00
26/05/2015	No	0.00		Carters and Company	CO	0.00	0.00
09/06/2015	No	0.00		Carters and Company	CO	10.00	2.00

Part Pay Amount : 0.00 Payee: Total Payment : 0.00

The following happens when the payment is posted:

- **For suppliers that are set up for 'VAT adjustments'**, the adjustment is posted automatically to clear the invoice and update the VAT Return.
- **For suppliers set up for 'credit notes'**, the invoice is paid and automatically put on hold with an outstanding balance for the goods discount and VAT reduction. This must then be manually released and allocated against the credit note when that is received from the supplier. The **Held Invoices Report** has been improved to help identify these invoices (see below).

New option for Suggested Payments Report & Authorise Cheques/BACS

The new **Include only if VAT Return Reduction By for Settlement Discount is 'VAT Adjustment'** option allows you to filter the invoices for suppliers set up to use the new VAT adjustments.

The option is displayed on these forms:

- Suggested Payments Report (displayed)
- Authorise Cheques
- Authorise BACS.

The screenshot shows the 'Suggested Payments' dialog box with the following details:

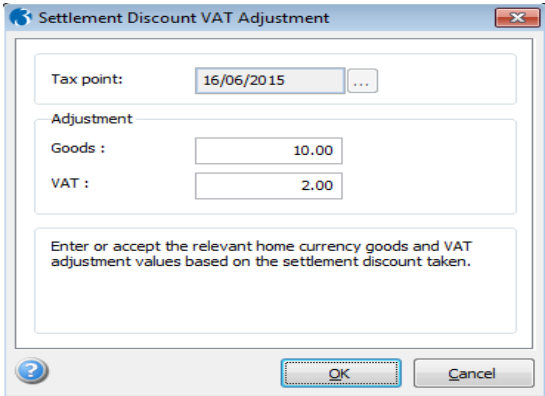
- Range:** From: C310 Main Bank Current Account; To: C310 Main Bank Current Account
- Banking Options:**
 - Default Banks Only (Processing date: 08/06/2015)
 - Allow Multiple Banks (Sequence: Account)
 - Use Sett Disc Terms To Calculate Due Date
 - Select Currency: ALL
- Payment Method:**
 - Cheque
 - BACS
 - Other
- Supplier:**
 - From: A Carters and Company
 - To: WAT0001 Jack Waterman
- Filter Option:** Include only if VAT Return Reduction By for Sett Disc is 'VAT Adjustment'

Notes:

1. Some invoices with settlement discount still cannot be paid using **Authorise Cheques/BACS** (marked with an asterisk):
 - Invoices posted in earlier versions of Opera
 - Invoices posted in Operations II or Pegasus CIS and transferred to Opera (compliant releases will be made available in the future)
2. Other invoices with settlement discount can be paid but need to be edited beforehand:
 - Invoices in the Purchase Invoice Register when the software was upgraded.

Posting 'VAT Adjustments'

VAT adjustments are posted directly after a payment is allocated to one or more invoices. When you post manual allocated payments (rather than use **Authorise Cheques/BACS**) and settlement discount is taken, a new form is now shown where you must verify the adjustment values before posting.



Opera will normally calculate the goods and VAT adjustment values, which will update the relevant boxes on the VAT Return. If you enter a VAT value, you are warned if it is 5p or more greater than the calculated VAT value.

Sometimes the form won't be shown, for example for zero-VAT-rated transactions.

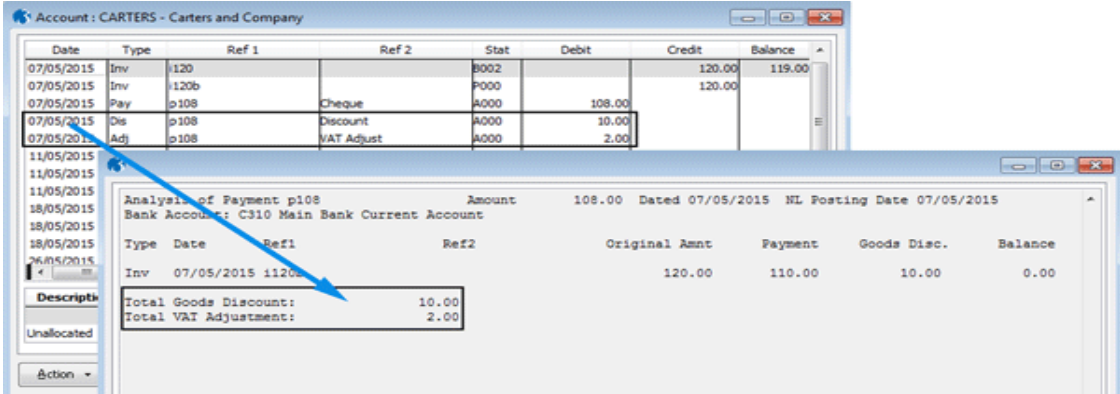
Important: Before the improvements for settlement discount were included in Opera, discount transactions did not update the VAT Return. Now these transactions do update the VAT Return.

Zero VAT adjustments

Where settlement discount is taken but no VAT adjustment is required, a zero VAT adjustment is posted. These are shown on views and reports but not on remittance advices.

'VAT Adjust' references

You can identify VAT Adjustments by their second reference of 'VAT Adjust'. The transaction zoom also includes the VAT adjustment details.



Note: VAT Adjustments are not posted if payments are posted on account.

Over and underpayments

These new options are available on the **Payment** form only for suppliers who offer settlement discount and VAT Adjustments are used for the supplier.

Overpay by

In the situation where you overpay an invoice and settlement discount will be taken, the overpayment must be entered in this box. In this scenario the VAT adjustment for goods and VAT can then be calculated and displayed automatically on the **Settlement Discount VAT Adjustment** form.

Underpay and clear invoices(s)

In the situation where you underpay an invoice and your supplier agrees to allow more discount so that the invoice will be cleared, the **Underpay and clear invoice(s)** box must be selected. In this scenario the VAT adjustment for goods and VAT cannot be calculated automatically - you must calculate and enter these - but the invoice will be fully allocated and cleared.

The screenshot shows a 'Payment' window with the following fields and options:

- Posting Type : Payment
- Input By : ADMIN
- Bank Account : C310 (Main Bank Current Account)
- NL Posting Date : 18/06/2015 (Jun 2015)
- Transaction Date : 18/06/2015
- Reference 1 : (empty)
- Reference 2 : Cheque
- Currency : (empty)
- FC Value : 0
- Exch. Rate : 0.000000
- Transaction Value : (empty)
- On Account (checkbox)
- Cheque (checkbox)
- Advance (checkbox)
- Overpay by (checkbox) 0.00 (highlighted with a red box)
- Underpay and clear invoice(s) (checkbox)

Buttons: ? (help), OK, Cancel

New VAT Tolerance Check

A VAT tolerance check has been added to the Purchase Ledger. It is used to identify invoice and credit note lines where the VAT calculated by Opera is different to what has been entered. This allows you to confirm that the VAT amount entered is correct.

A new option called **VAT Tolerance Check** on the **Set Options** form is automatically set to check transactions that include settlement discount.

It can also be set to 'Always' for all transactions, or 'Never'.

It is used when:

- Posting invoices and credit notes from the **Purchase Ledger - Processing** form
- Posting invoices and credit notes from the **Purchase Ledger - PIR** form.

The screenshot shows the 'Set Options' dialog box with the following fields and values:

- Invoices to be Approved
- Allow advance postings
- Mandatory Reason Code
- Remove zero balance accounts
- Multiple bank accounts
- Include Dormant Suppliers
- PIR must use authorisation
- Use PIR Tran. Date for N/L
- Warn if Posting Non-Current
- Foreign banks on Sugg. Paym.
- VAT Tolerance Check : **Sett. disc. only** (dropdown menu is open showing 'Sett. disc. only', 'Always', 'Never')
- Next Cheque No. : Sett. disc. only
- Next PIR Invoice No. : Never
- Next PIR Credit No. : CP000004
- BACS Payment Software : HSBC
- Bank Sort Code : - -
- Account Code :
- BIC :
- IBAN :
- Name :
- SEPA
- Initiating Party ID :
- Initiating Party ID Type : Organisation ID
- N/L Company ID : Z
- Bank Account : C310
- Suggested Payment : 10 Days
- Keep Transactions : 36 Periods
- Keep Analysis Image : 24 Periods
- Keep Creditor History : 24 Periods
- Accounting Period : Monthly
- Periods for Creditor Days : 12
- Lines on Cheques / Remittances : 21
- Test Payment File
- Orion Vehicles Leasing
- Main Bank Current Account

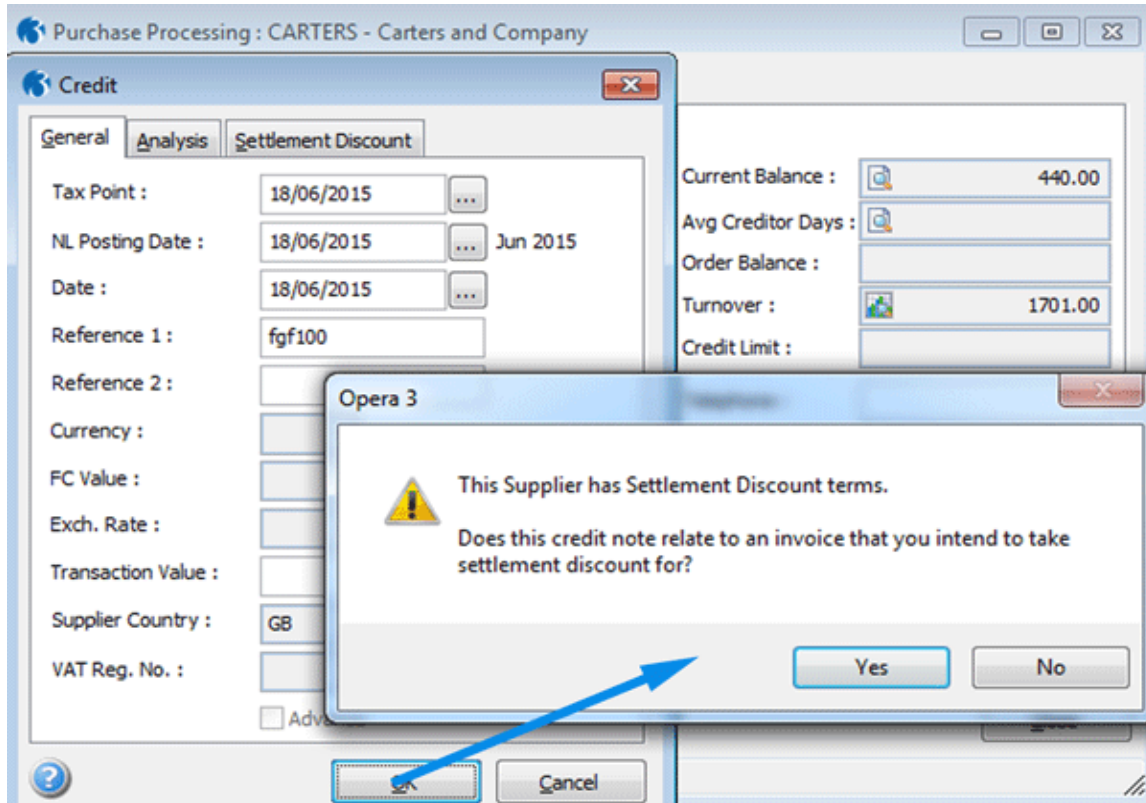
Note: Any difference within the range -5p to 5p is ignored. Also, VAT-only invoices and credit notes are not affected.

Settlement Discount calculated for Credit Notes

If a credit note is posted to allocate to an invoice for which settlement discount is to be taken for that invoice, settlement discount must also be calculated for the credit note.

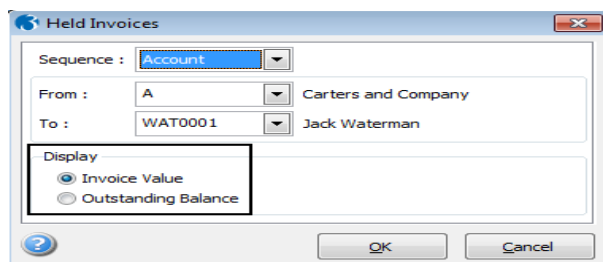
For suppliers that offer settlement discount terms, a new message is now displayed when credit notes are posted to these suppliers.

You should select 'Yes' to the message if the credit note relates to an invoice that settlement discount will be taken for. In this situation you must also allocate the credit note against the relevant invoice.



Held Invoices report

This report now includes new options to show either the total invoice value or an invoice's outstanding balance on the report. If credit notes are used for adjusting the VAT Return when settlement discount is taken, this report can be used to show invoices paid in **Authorise Cheques/BACS** that have been put on hold with an outstanding balance.



Payments & Adjustments report

This report now includes summarised of the VAT adjustments, alongside the other summary totals.

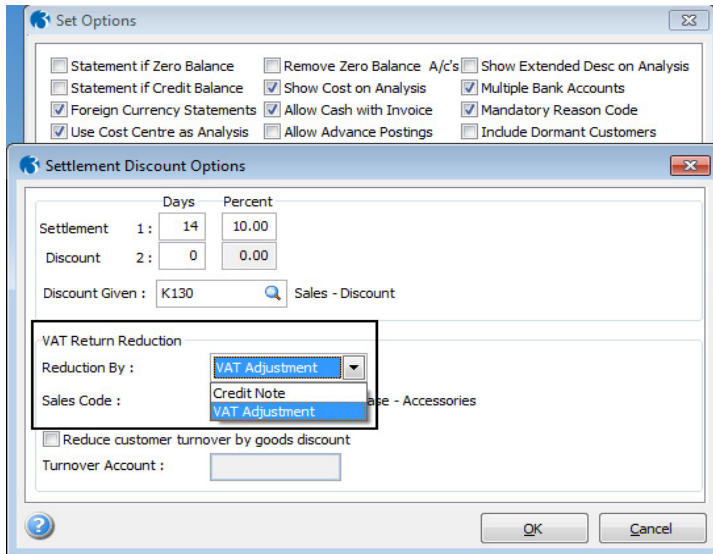
Remittance advices

Zero-value VAT adjustments are not included on remittances.

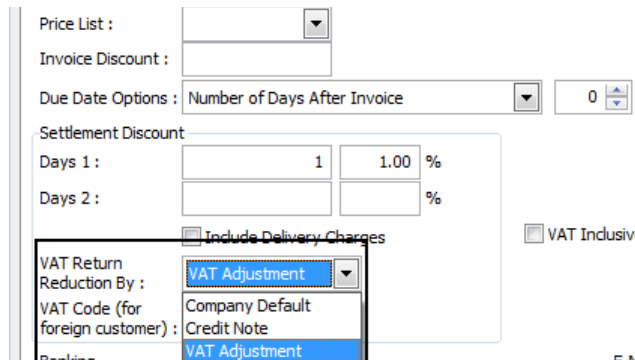
Changes in the Sales Ledger, Invoicing & SOP

Setting the method for settlement discount VAT reductions

A new 'Settlement Discount' form must be used to set how settlement discount VAT reductions are dealt with for the entire Sales Ledger, along with other options for settlement discount.



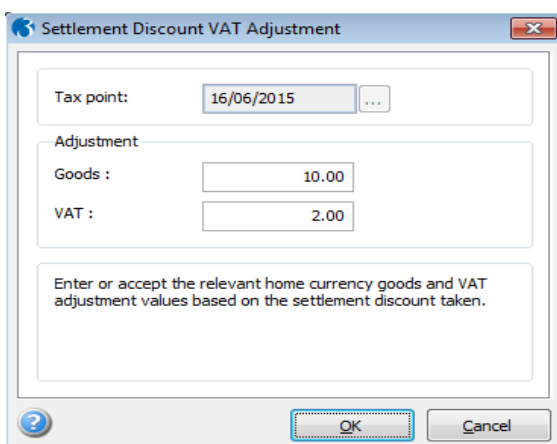
You can also set the settlement discount reductions method for individual customers on the **Terms** form linked to the customer record.



Posting VAT Adjustments

If you decide to use VAT Adjustments instead of Credit Notes to update the VAT Return, the adjustment is posted directly after an allocated receipt is posted and settlement discount is taken.

A new **Settlement Discount VAT Adjustment** form is now shown where you must verify the adjustment values before posting.



Opera will normally calculate the goods and VAT adjustment values, which will update the relevant boxes on the VAT Return. If you enter a VAT value, you are warned if it is 5p or more greater than the calculated VAT value.

Sometimes the form won't be shown, for example for zero-VAT-rated transactions.

Important: Before the improvements for settlement discount were included in Opera, discount transactions did not update the VAT Return. Now these transactions do update the VAT Return.

Zero VAT adjustments

Where settlement discount is taken but no VAT adjustment is required, a zero VAT adjustment is posted. These are shown on views and reports but not on statements.

'VAT Adjust' references

You can identify VAT Adjustments by their second reference of 'VAT Adjust'. The transaction zoom also includes the VAT adjustment details.

Date	Type	Ref 1	Ref 2	Stat	Debit	Credit	Balance
10/06/2015	Rec	1006.i.108	Cheque	A000		108.00	
10/06/2015	Dis	1006.i.108		A000		10.00	
10/06/2015	Adj	1006.i.108	VAT Adjust	A000		2.00	

Type	Date	Ref1	Ref2	Original Amt	Receipt	Goods Disc.	Balance
Inv	10/06/2015	1121		120.00	110.00	10.00	0.00
Total Goods Discount:						10.00	
Total VAT Adjustment:						2.00	

Note: VAT Adjustments cannot be posted if receipts are posted on account.

Over and underpayments

These new options are available on the **Receipt** form only for customers who are offered settlement discount and VAT Adjustments are used for the customer.

Posting Type :

Input By :

Bank Account : Main Bank Current Account

NL Posting Date : Jun 2015

Transaction Date :

Reference 1 :

Reference 2 :

Currency :

FC Value :

Exch. Rate :

Transaction Value :

On Account

Advance

Overpay by

Underpay and clear invoice(s)

Buttons: ? OK Cancel

Overpay by

In the situation where a customer overpays an invoice where settlement discount will be taken, the overpayment must be entered in this box. In this scenario the VAT adjustment for goods and VAT can then be calculated and displayed automatically on the **Settlement Discount VAT Adjustment** form.

Underpay and clear invoices(s)

In the situation where a customer underpays an invoice and you agree to allow more discount so that the invoice will be cleared, the **Underpay and clear invoice(s)** box must be selected. In this scenario the VAT adjustment for goods and VAT cannot be calculated automatically - you must calculate and enter these - but the invoice will be fully allocated and cleared.

Using Credit Notes

If you decide to use credit notes, doing this through the Sales Order Processing or Invoicing applications will mean that documentary evidence of the prompt payment discounts credit is automatically created. It is your responsibility to provide HMRC with documentary evidence of a prompt payment discounts adjustment, if required to do so in a VAT audit.

You will need to consider how you want to treat the sales analysis of the credit note posting, either posting to a Discounts Allowed Profit and Loss Account or the Sales Profit and Loss Account used on the original invoice line.

In this situation receipts must be posted on account. After the receipt is posted the invoice and credit note should be allocated against the receipt to complete the transaction.

Receipts & Adjustments report

This report now includes summarised of the VAT adjustments, alongside the other summary totals. Stationery changes

Statements

When sending statements to your customers, you should use these statement designs:

- PEG610 (Sales Statements Sett. Disc UK Laser)
- PEG610 (Sales Statements Sett. Disc Foreign Laser).

These designs either display details of the second reference of the credit notes or highlight VAT adjustments. This can be used to identify the invoice/s that the credit note or VAT adjustment relate to.

Zero-value VAT adjustments are not included on statements.

Invoices

The PEG630 settlement discounts invoice design (SQININSD) has been updated with a note for settlement discount. This design will highlight to the recipient of the invoice the amount of VAT that is required to be adjusted if full payment of the invoice is made by the stated dates. The note will also illustrate whether a credit note will be issued.

Bespoke invoice designs can be updated with the note if required.

Settlement Discount

If the invoice is fully paid by 06/06/2015 you may deduct 1.20 (1.00 off goods and 0.20 off VAT) from the invoice total. You will need to adjust your VAT return accordingly. A credit note will not be issued.

If a customer takes up the offer of settlement discount, the VAT liability as well as the discount value of the goods or services will need to be accounted for.

This can now be done using either a credit note or a 'VAT Adjustment'.

Other things to be aware of

Rectifying allocations

The **Rectify Allocation** commands in the Sales and Purchase Ledgers are used in the event that a receipt or payment is allocated to an invoice in error. These commands (available in Opera 3 only) now also post VAT Adjustments to correct the VAT Return.

New 'VAT Return Adjustment' form

In Opera II (and, if required in Opera 3) you can use the new 'VAT Return Adjustment' form in the System Manager to post adjustments to the VAT Return.

The screenshot shows the 'VAT Return Adjustment' dialog box. It contains the following fields and options:

- Tax point :** 19/06/2015
- Transaction date :** 19/06/2015
- Ledger :** S/L
- Account :** ADA0001 (Adams Light Engineering Ltd)
- Reference :** fgh100
- Country type :** H (Home Country)
- Trans. type :** S (Sale)
- VAT code :** 1 (Standard Rate (Domestic))

Adjustment

Goods :	10.00
VAT :	2.00

Comment

VAT Return adjustment for misposted invoice fgh100.

VAT Return Boxes

<input checked="" type="checkbox"/> 6 - Total Value of Sales	<input checked="" type="checkbox"/> 1 - Tax Value on Sales
<input type="checkbox"/> 7 - Total Value of Purchases	<input type="checkbox"/> 2 - Tax Value on Acquisitions (EC)
<input type="checkbox"/> 8 - Total Value of Supplies (EC)	<input type="checkbox"/> 4 - Tax Reclaimed on Purchases
<input type="checkbox"/> 9 - Total Value of Acquisitions (EC)	

Buttons: Action, ? (Help), OK, Cancel

Invoice 'to Allocate' value

When receipts or payments are posted and allocated to invoices, the **Allocations** form shows the balance to allocate. When receipts or payments are posted within settlement terms, the form shows both the settlement discount taken, and the balance to allocate. However, once the transactions are allocated together the 'to Allocate' value may be shown as a negative value. The reason is just mathematical. You need to ignore that it is negative when understanding what the VAT adjustment must be.

Using an example to explain why this is.

Your customer buys standard rate VAT (20%) goods for £100 with 10% settlement discount. They pay the next day and take £10 goods discount and reduce the VAT by £2. The VAT should now be £18 ($(£100 - 10\%) * 20\%$) rather than £20 on the original posting. £108 will now clear the invoice.

The £120 invoice is fully allocated with the discount of £10 (£120 - £10), the allocated value is then subtracted from the actual receipt value (£108). So £108-£110, the 'to Allocate' value will be - £2.

Part-paying invoices

The F6 part-payment function has changed slightly, in the situation where settlement discount is being taken and you are allocating a receipt or payment to more than one invoice, and the last invoice cannot be paid in full.

Before, F6 would have suggested a final part payment value.

Now, F6 won't suggest a value, so you will need to enter the final value, taking into account the goods discount and VAT adjustment for the fully allocated invoice.

New setup steps: Purchase Ledger

Follow these steps to set up the Purchase Ledger for the new settlement discount features.

Purchase Ledger			
	Action	Menu	Notes
1	<p>Check the adjustment name created for settlement discount VAT adjustments</p>	<p>Purchase - Utilities - Adjustment Names</p>	<p>1. This is automatically set to 'VAT Adjust' when Update Data Structures is run.</p> <p>2. Used only if using 'VAT adjustments' rather than credit notes.</p>
2	<p>Create Supply Code for settlement discount</p>	<p>Purchase - Maintenance - Supply codes</p>	<p>Must be created. Used only if using 'VAT adjustments' rather than credit notes. Use a standard rate VAT code.</p>
3	<p>Create hold reason Code for settlement discount</p>	<p>Purchase - Maintenance - Reasons</p>	<p>Must be created. Used only if using credit notes rather than 'VAT adjustments'.</p>
4	<p>Set settlement discount options</p>	<p>Purchase - Utilities - Set Options - Action - Settlement Discount Options</p>	<p>1. The 'Allow settlement discount override' and 'Discount Taken Account' options have been moved from the Set Options form (set the same as before).</p> <p>2. Choose a 'Hold Reason' (only used if credit notes are used for VAT adjustments).</p> <p>3. Choose a 'Supply Code' and, if relevant, select 'Reduce supplier turnover by goods discount', and select a 'Turnover Account' (only used if VAT adjustments are used rather than credit notes).</p>
5	<p>Choose the 'VAT Return Reduction By option for each supplier</p> <p>Choose appropriate VAT code</p>	<p>Purchase - Processing - Terms</p>	<p>Automatically set to 'Credit Note' for suppliers that offer settlement discount when Update Data Structures is run. Only change it to 'VAT adjustments' for those suppliers that will not issue credit notes for VAT Return adjustments.</p> <p>Only necessary for foreign suppliers if EC VAT is used.</p>

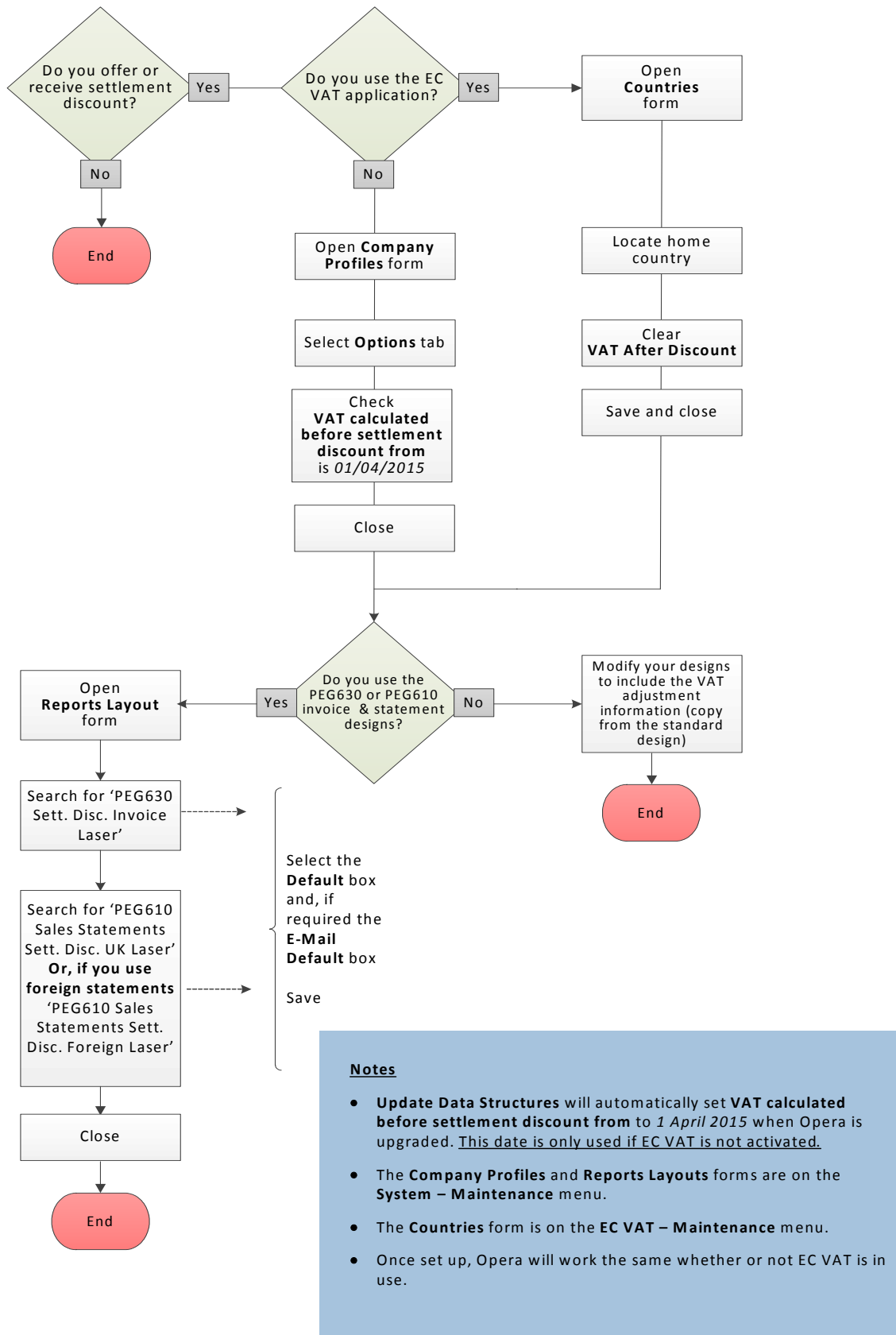
New setup steps: Sales Ledger

Follow these steps to set up the Sales Ledger for the new settlement discount features.

Sales Ledger			
	Action	Menu	Notes
1	<p>Check the adjustment name created for settlement discount VAT adjustments</p>	<p>Sales - Utilities - Adjustment Names</p>	<p>1. This is automatically set to 'VAT Adjust' when Update Data Structures is run.</p> <p>2. Used only if using 'VAT Return adjustments' rather than credit notes</p>
2	<p>Create Sales Code for settlement discount</p>	<p>Sales - Maintenance - Sales Codes</p>	<p>Used only if using 'VAT Return adjustments' rather than credit notes</p>
3	<p>Set settlement discount options</p>	<p>Sales - Utilities - Set Options - Action - Settlement Discount Options</p>	<p>1. The 'Settlement Discount' and 'Discount Given Account' options have been moved from the Set Options form (set the same as before).</p> <p>2. The 'Reduction By' is the default setting for all customers. This can be changed for each customer.</p> <p>3. Choose a 'Sales Code', and, if relevant, select 'Reduce customer turnover by goods discount', and select a 'Turnover Account' (used only if VAT Return adjustments are used rather than credit notes).</p>
4	<p>Choose the 'VAT Return Reduction By' option for each customer</p> <p>Choose appropriate VAT code</p>	<p>Sales - Processing - Terms</p>	<p>Select either 'VAT Adjustment' or 'Credit Note' This is automatically set to 'Credit Note' when Update Data Structures is run</p> <p>Only necessary for foreign customers if EC VAT is used.</p>

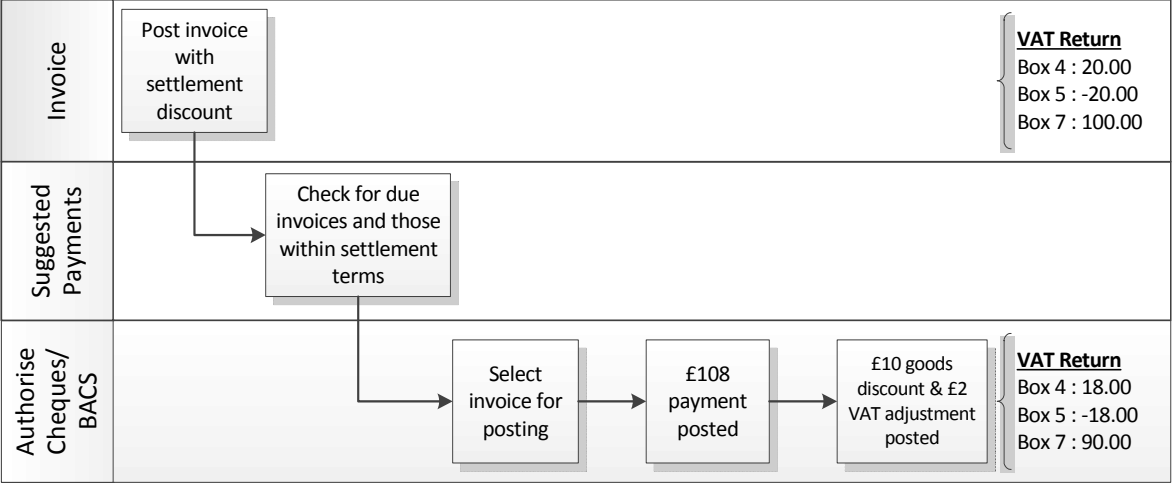
Reminder: setting up Opera for settlement discount

These steps should have been completed on 1 April 2015 so that VAT was calculated before prompt payment discounts from that date. Please ignore this chart if you have previously completed the steps.



Advised method: You use Authorise Cheques/BACS to pay an invoice within terms, the supplier does not issue a credit note for the VAT reduction

- You buy goods from your supplier for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days). This supplier does not issue credit notes for VAT Return adjustments when payment is received early.
- After 25 days you check which invoices need paying using the **Suggested Payments Report**.
- You pay the invoice after 25 days (attracts 10% discount) using the **Authorise Cheques** or **Authorise BACS** commands.
- The payment of £108 (£90 goods + £18 VAT) is automatically posted .
- The goods discount (£10) and VAT Adjustment (£2) is also automatically posted. The adjustment values are displayed in the **Disc on Goods** and **Disc on VAT** columns.
- The invoice is fully allocated to the payment and VAT adjustment.



Invoice

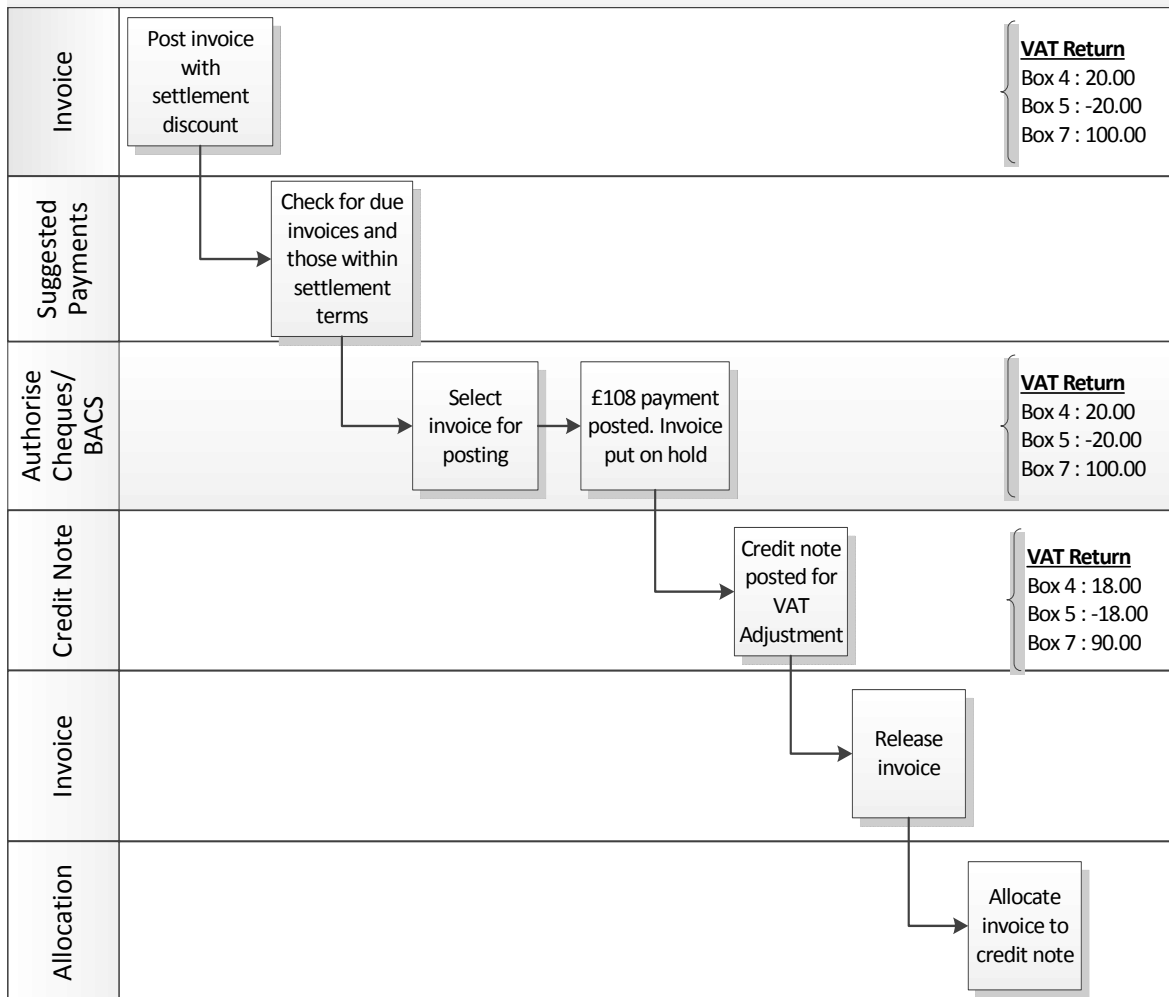
- Supplier offers settlement terms.
- The VAT calculated for the invoice ignores the discount.

Payment

- You pay early to take settlement discount.
- The VAT you pay is reduced.
- The VAT and goods adjustment is automatically posted in the **Authorise Cheques** or **Authorise BACS** commands.

Advised method: You use Authorise Cheques/BACS to pay an invoice within terms, the supplier issues a credit note for the VAT reduction

- You buy goods from your supplier for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days). This supplier issues credit notes for VAT Return adjustments when payment is received early.
- After 25 days you check which invoices need paying using the **Suggested Payments Report**.
- You pay the invoice after 25 days (attracts 10% discount) using the **Authorise Cheques** or **Authorise BACS** commands.
- The payment of £108 (£90 goods + £18 VAT) is posted.
- The invoice is automatically put on hold awaiting the credit note from the supplier. The invoice is allocated to the payment with a balance for the sum of the goods discount and VAT reduction.
- The credit note is received from the supplier for £12 (£10 goods and £2 VAT), and is posted.
- The invoice is released and allocated to the credit note.



Invoice

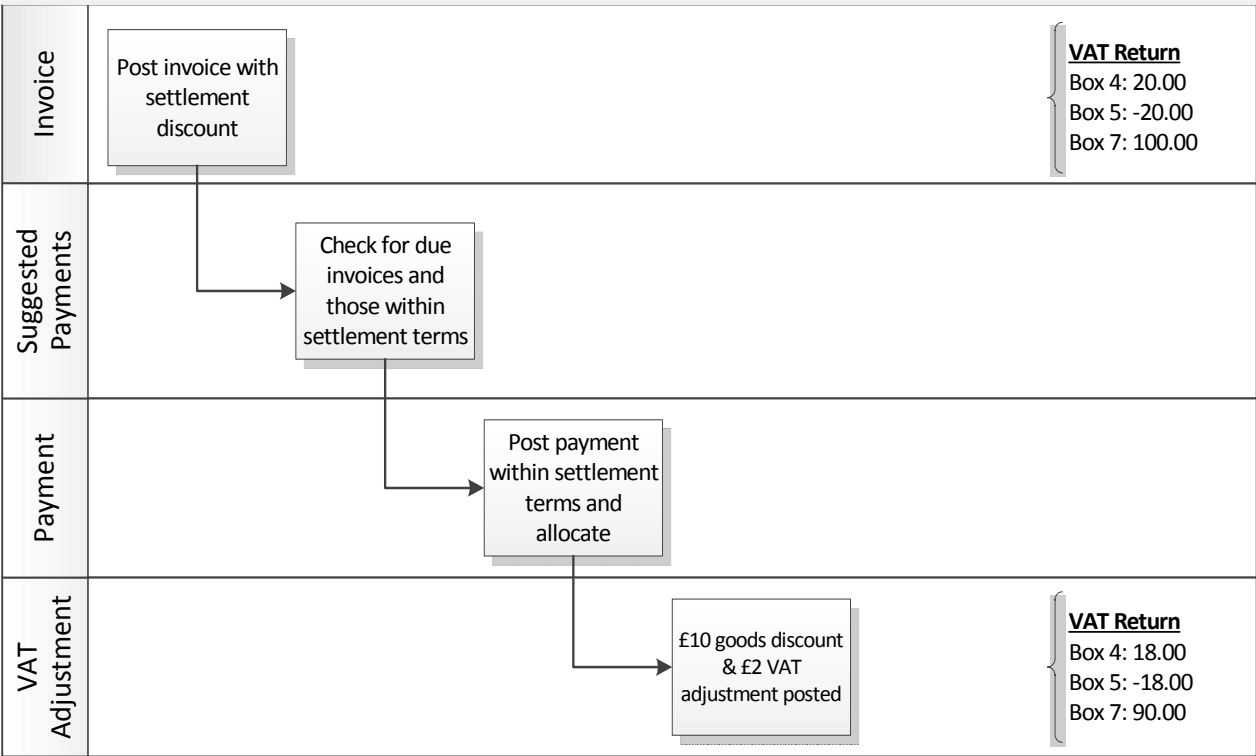
- Supplier offers settlement terms.
- The VAT calculated for the invoice ignores the discount.

Payment

- You pay early to take settlement discount.
- The VAT you pay is reduced.
- The invoice is put on hold until the credit note is received from the supplier.

Advised method: You manually pay the invoice within terms, the supplier does not issue a credit note for the VAT reduction

- You buy goods from your supplier for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days).
- You pay the invoice 25 days later (attracts 10% discount).
- You pay £108 (£90 goods + £18 VAT).
- The invoice is allocated to the payment and the goods discount (£10) and VAT Adjustment (£2) is posted.



Invoice

- Supplier offers settlement terms.
- The VAT calculated for the invoice ignores the discount.

Payment

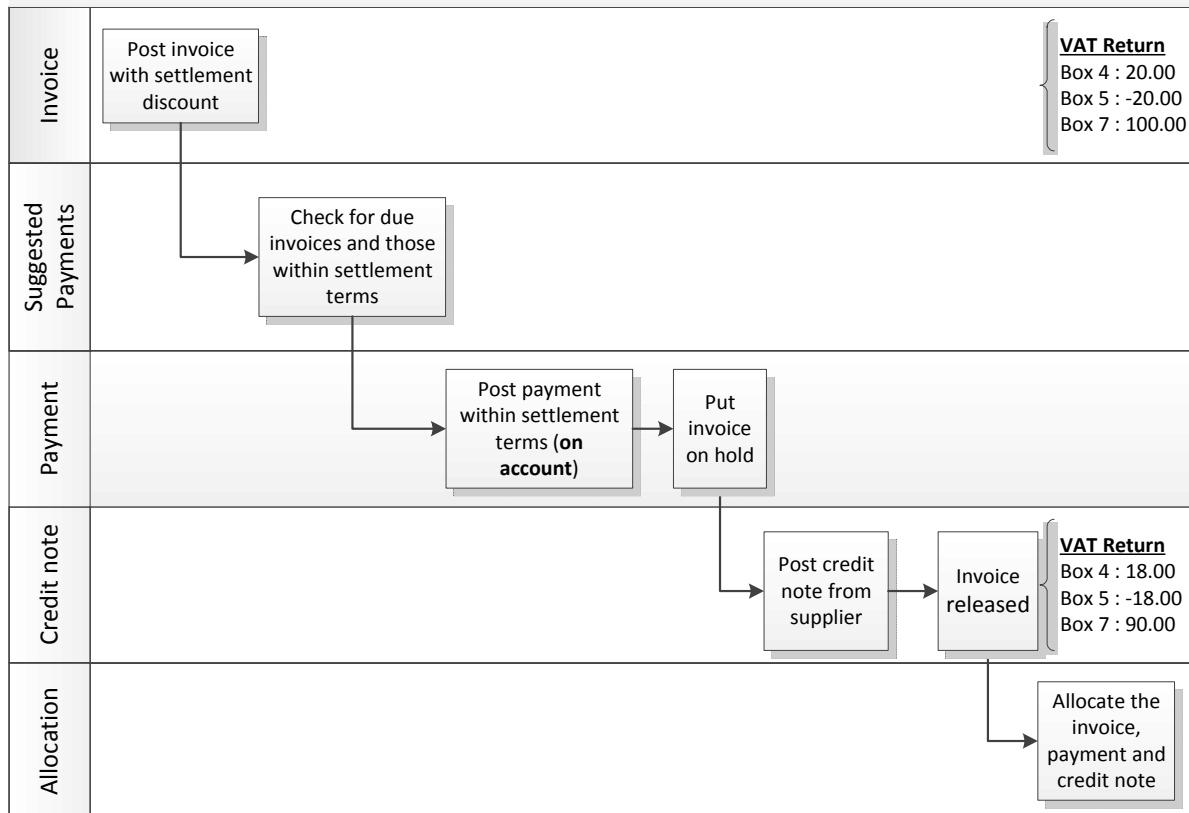
- You pay early to take settlement discount.
- The VAT paid is reduced.

VAT Adjustment

- The VAT adjustment is posted directly after the payment. The adjustment values are shown, but need to be verified.

Advised method: You manually pay an invoice within terms, the supplier issues a credit note for the VAT reduction

- You buy goods from your supplier for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days).
- After 25 days you check which invoices need paying using the **Suggested Payments Report**.
- You pay the invoice after 25 days (attracts 10% discount) using the **Processing - Payments** command.
- The payment of £108 (£90 goods + £18 VAT) is posted on account, and the invoice is manually put on hold.
- Supplier issues an adjusting credit note for £12, which is posted (£10 goods + £2 VAT).
- The invoice is manually released, and it is allocated to the payment and credit note.



Invoice

- Supplier offers settlement terms.
- The VAT calculated for the invoice ignores the discount.

Payment

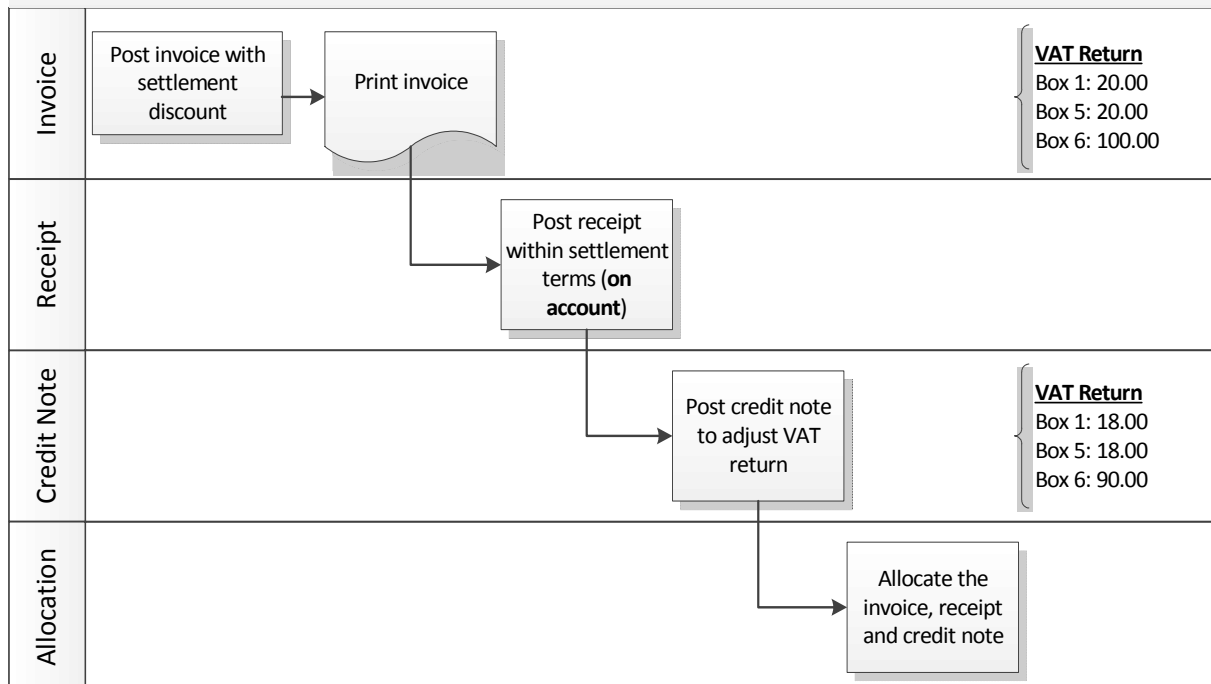
- You pay early to take settlement discount.
- The VAT you pay is reduced.
- The payment is paid using the **Processing – Payments** form
- The invoices could also be paid using the **Authorise Cheques** or **Authorise BACS** commands.
- The invoice needs to be put on hold until the credit note is received from the supplier so that it's not allocated to other payments.
- Because the payment was made on account, use the **Allocations report** to view the allocation details.

Credit Note

- Is posted for the discount, and VAT saving to adjust the VAT Return
- Use the 2nd ref (Purchase Ledger) or supplier ref (POP) to record the discount reference (along with the relevant invoice number).
- An analysis code set up for discounts could be used to analyse the credit.

Advised method: You use credit notes for VAT reductions, the customer receipt fully pays an invoice and is posted on account

- Your customer buys goods for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days) and is printed using the PEG630 invoice design.
- The invoice is paid 25 days later (attracts 10% discount).
- The receipt of £108 (£90 goods + £18 VAT) is posted on account.
- A credit note is posted in SOP/Invoicing for £12 (£10 goods + £2 VAT).
- The invoice is allocated to the receipt and credit note.
- The statement is sent out at the end of the month using the PEG610 design.



Invoice

- You offer settlement terms.
- The VAT calculated for the invoice ignores the discount.
- The invoice design SQININSND shows VAT adjustment information (if settlement discount is offered). This prints on the PEG630 stationery design.

Tip: If you don't use the SQININSND invoice design, include the VAT adjustment information on your own design.

Notes

- The statement design (PEG610 Sales Statements Sett. Disc. UK Laser or PEG610 Sales Statements Sett. Disc. Foreign Laser) also includes the settlement discount reference.
- The drill down to the allocation view is not available on the 'zoom' function after the allocation if receipts are posted on account.

Receipt

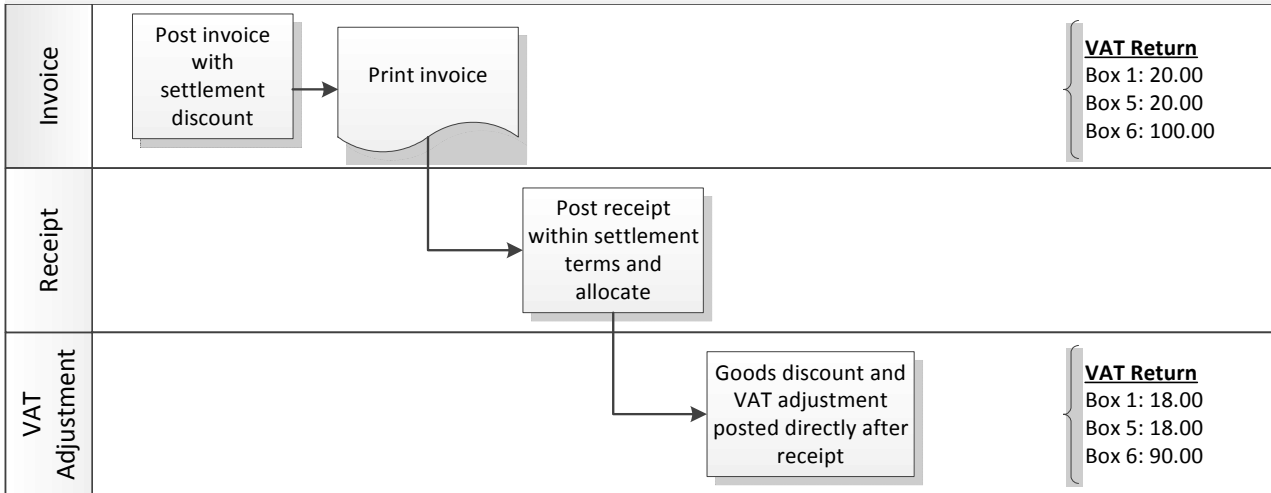
- The customer pays early to take settlement discount.
- The VAT paid is reduced.
- The reduced VAT is noted on the standard invoice design PEG630.

Credit Note

- Is posted for the discount, and VAT saving to adjust the VAT Return
- The 2nd ref (Sales Ledger) or customer ref (SOP) can be used to record the settlement discount reference (along with the relevant invoice number)
- An analysis code set up for discounts could be used to analyse the credit.
- It can be emailed to the customer using the facility to email credit notes.

Advised method: You use VAT Adjustments for VAT reductions, the customer receipt fully pays the invoice

- Your customer buys goods for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days) and is printed using the PEG630 invoice design.
- The invoice is paid 25 days later (attracts 10% discount).
- The receipt of £108 (£90 goods + £18 VAT) is posted.
- The invoice is allocated to the receipt and the VAT Adjustment is posted.
- The statement is sent out at the end of the month using the PEG610 design.



Invoice

- You offer settlement terms.
- The VAT calculated for the invoice ignores the discount.
- The invoice design SQININSD shows VAT adjustment information (if settlement discount is offered). This prints on the PEG630 stationery design.

Tip: If you don't use the SQININSD invoice design, include the VAT adjustment information on your own design.

Receipt

- The customer pays early to take settlement discount.
- The VAT paid is reduced.
- The reduced VAT is noted on the PEG630 invoice design.

Notes

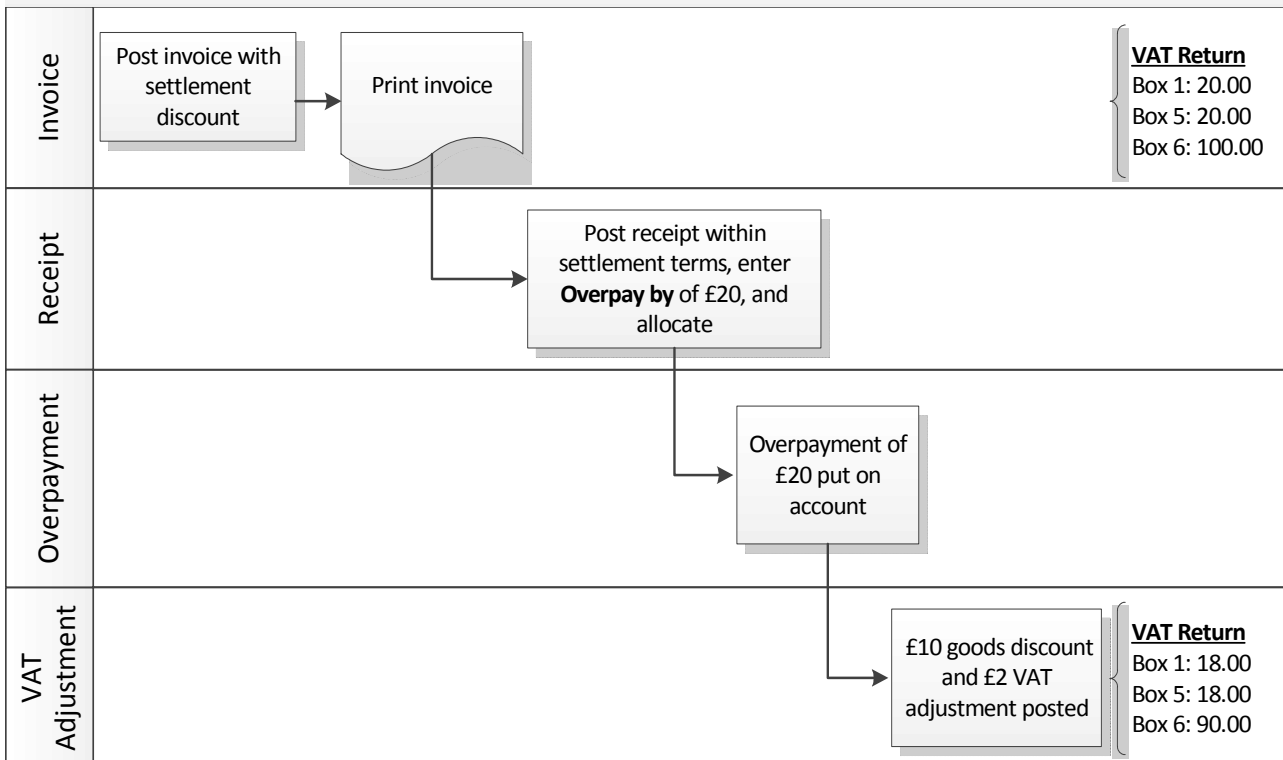
- The statement design (PEG610 Sales Statements Sett. Disc. UK Laser or PEG610 Sales Statements Sett. Disc. Foreign Laser) also includes the settlement discount reference.

VAT Adjustment

- The VAT adjustment is posted directly after the receipt. The adjustment values are shown, but need to be verified.

Advised method: You use VAT Adjustments for VAT reductions, customer overpays the invoice, and the overpayment is put on account

- Your customer buys goods for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days) and is printed using the PEG630 invoice design.
- The invoice is paid 25 days later (attracts 10% discount).
- The customer overpays by £20 so you receive £128 (£90 goods + £18 VAT + £20 overpayment).
- The receipt is allocated to the invoice and the overpayment is put on account.
- The statement is sent out at the end of the month using the PEG610 design.



Invoice

- You offer settlement terms.
- The VAT calculated for the invoice ignores the discount.
- The invoice design SQINNSD shows VAT adjustment information (if settlement discount is offered). This prints on the PEG630 stationery design.

Receipt

- The customer pays early to take settlement discount.
- The VAT paid is reduced.
- The reduced VAT is noted on the PEG630 invoice design.

VAT Adjustment

- The VAT adjustment is posted directly after the receipt. The adjustment values are shown, but need to be verified.

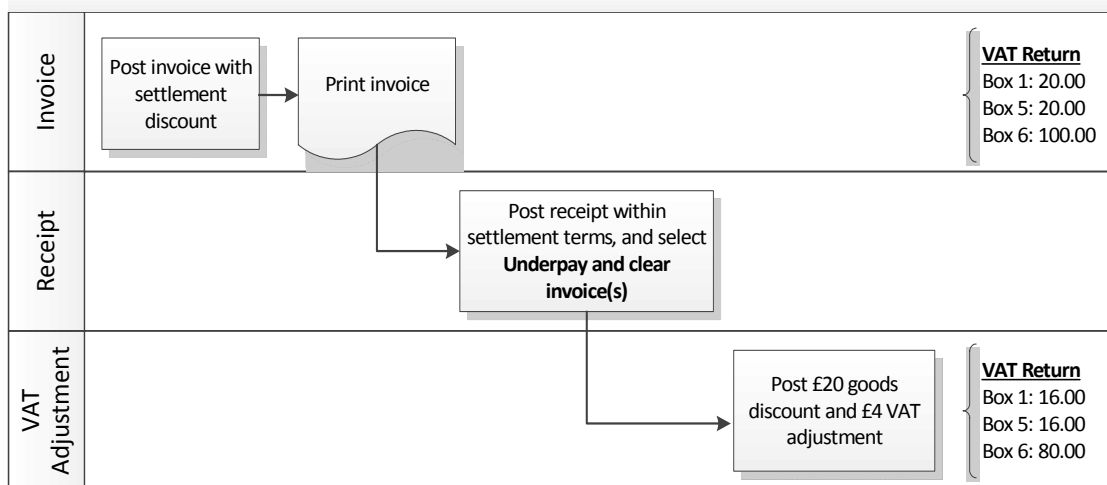
Notes

- The statement design (PEG610 Sales Statements Sett. Disc. UK Laser or PEG610 Sales Statements Sett. Disc. Foreign Laser) also includes the settlement discount reference.

Tip: If you don't use the SQINNSD invoice design, include the VAT adjustment information on your own design.

Advised method: You use VAT Adjustments for VAT reductions, the customer underpays and you agree to allow the additional discount to clear invoice

- Your customer buys goods for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days) and is printed using the PEG630 invoice design.
- The invoice is paid 25 days later (attracts 10% discount).
- By agreement the customer is allowed to take more than the settlement discount to clear the invoice. You receive £96 (£80 goods + £16 VAT) as full and final settlement (the reduction affects both goods and VAT).
- The receipt is allocated to the invoice.
- The VAT Adjustment is manually posted (£20 goods discount and £4 VAT reduction).
- The statement is sent out at the end of the month using the PEG610 design.



Invoice

- You offer settlement terms.
- The VAT calculated for the invoice ignores the discount.
- The invoice design SQJNNSD shows VAT adjustment information (if settlement discount is offered). This prints on the PEG630 stationery design.

Tip: If you don't use the PEG630 stationery, include the VAT adjustment information on your invoice design.

Receipt

- The customer pays early to take settlement discount.
- A further underpayment is agreed.
- The VAT paid is reduced.
- The reduced VAT is noted on the PEG630 invoice design.

VAT Adjustment

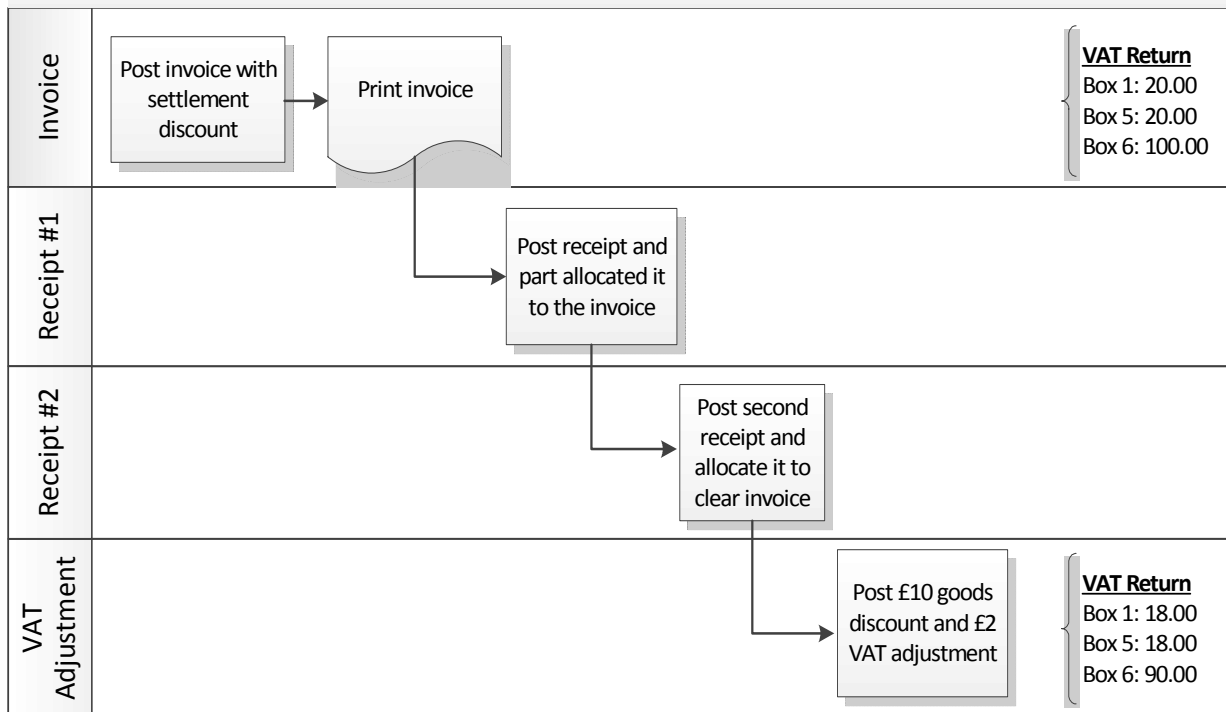
- The VAT adjustment is posted directly after the receipt. **Because there's an underpayment you must calculate and enter the goods and VAT adjustment values.**

Notes

- The statement design (PEG610 Sales Statements Sett. Disc. UK Laser or PEG610 Sales Statements Sett. Disc. Foreign Laser) also includes the settlement discount reference.

Advised method: You use VAT Adjustments for VAT reductions, a customer pays an invoice in two installments within settlement terms

- Your customer buys goods for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days) and is printed using the PEG630 invoice design.
- The invoice is paid 25 days later (attracts 10% discount).
- By agreement the customer pays the invoice with two part payments. Both payments are received with 30 days so settlement discount can be taken.
- The first payment received is £50 and part allocated to the invoice. The balance is £70.
- The second payment received is £58 later in settlement terms and part allocated to the invoice to clear it.
- The VAT Adjustment is posted (£10 goods discount and £2 VAT reduction).
- The statement is sent out at the end of the month using the PEG610 design.



Invoice

- You offer settlement terms.
- The VAT calculated for the invoice ignores the discount.
- The invoice design SQININS shows VAT adjustment information (if settlement discount is offered). This prints on the PEG630 stationery design.

Tip: If you don't use the PEG630 stationery, include the VAT adjustment information on your invoice design.

Receipt

- The customer part pays early.
- A second receipt is received within settlement terms to take discount and clear invoice.
- The VAT paid is reduced.
- The reduced VAT is noted on the PEG630 invoice design.

VAT Adjustment

- The VAT adjustment is posted directly after the second receipt that clears the invoice.

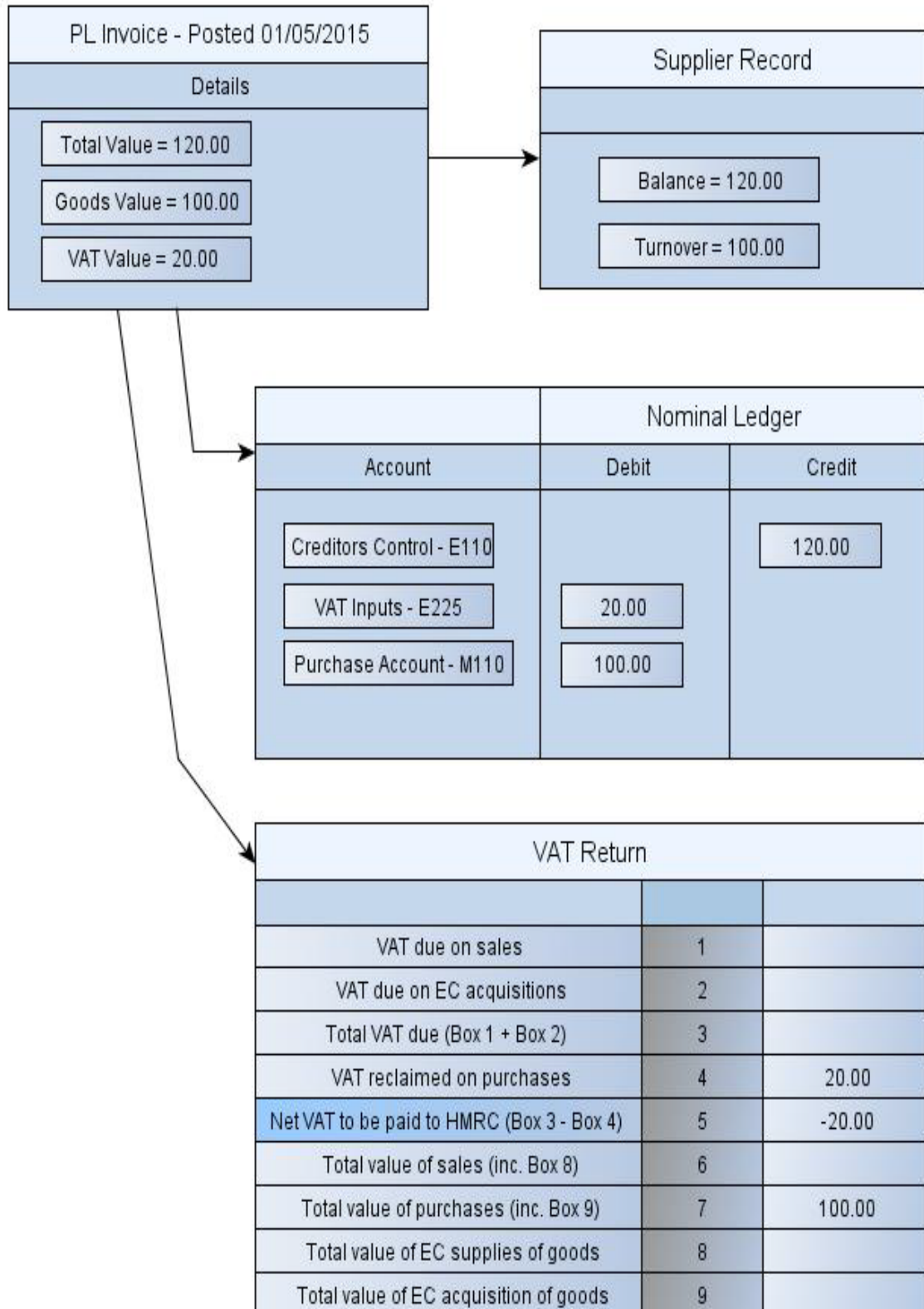
Notes

- The statement design (PEG610 Sales Statements Sett. Disc. UK Laser or PEG610 Sales Statements Sett. Disc. Foreign Laser) also includes the settlement discount reference.

Data Flowchart - Purchase Ledger

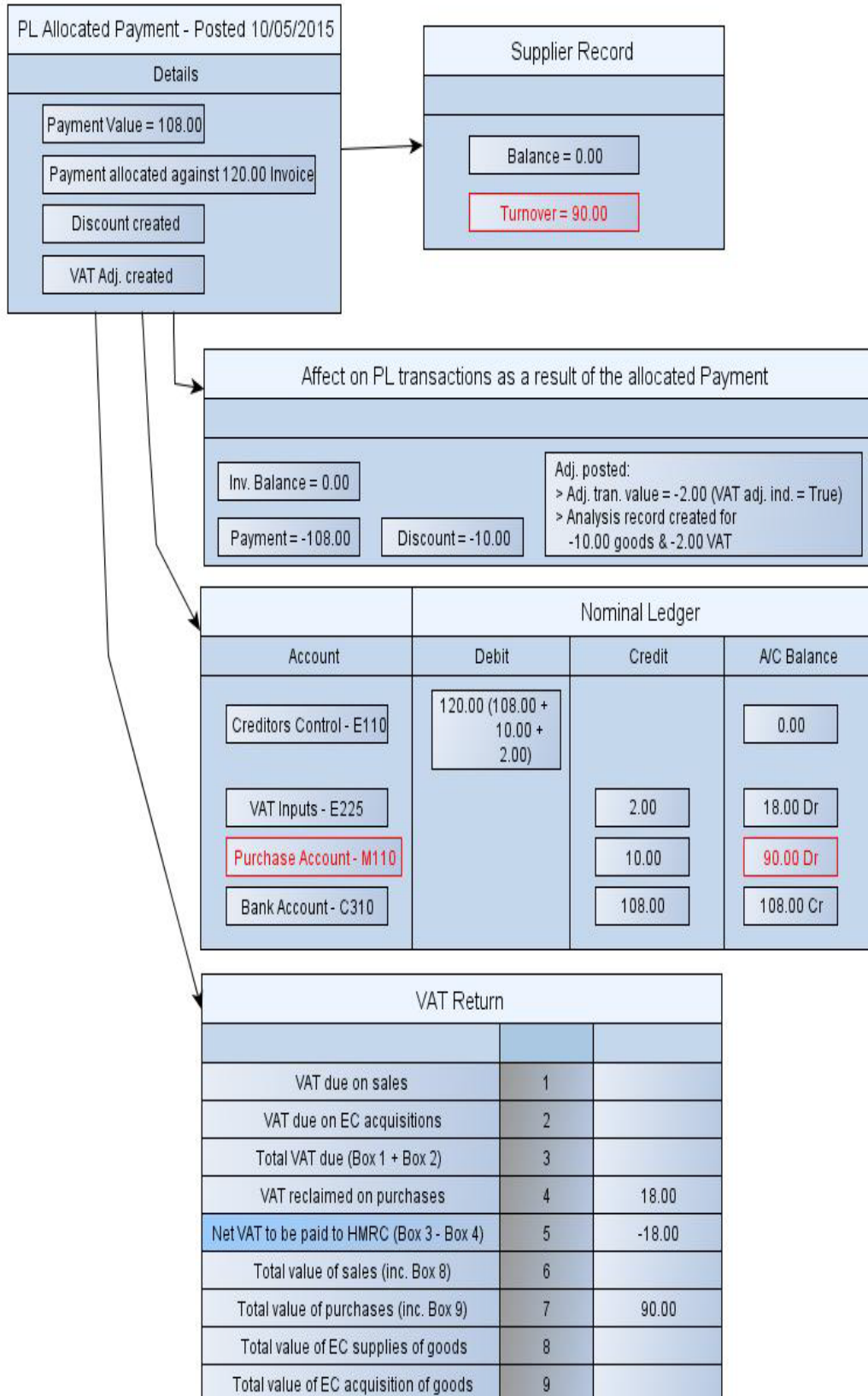
Step 1: Invoice Posted and Settlement Discount is offered

In this example the supplier buys goods to the value of £120.00 (including £20.00 VAT). 10% settlement discount is offered if an invoice is paid within 14 days. This is a new supplier so all account balances are zero before the invoice is posted. VAT is never included in the account turnover.



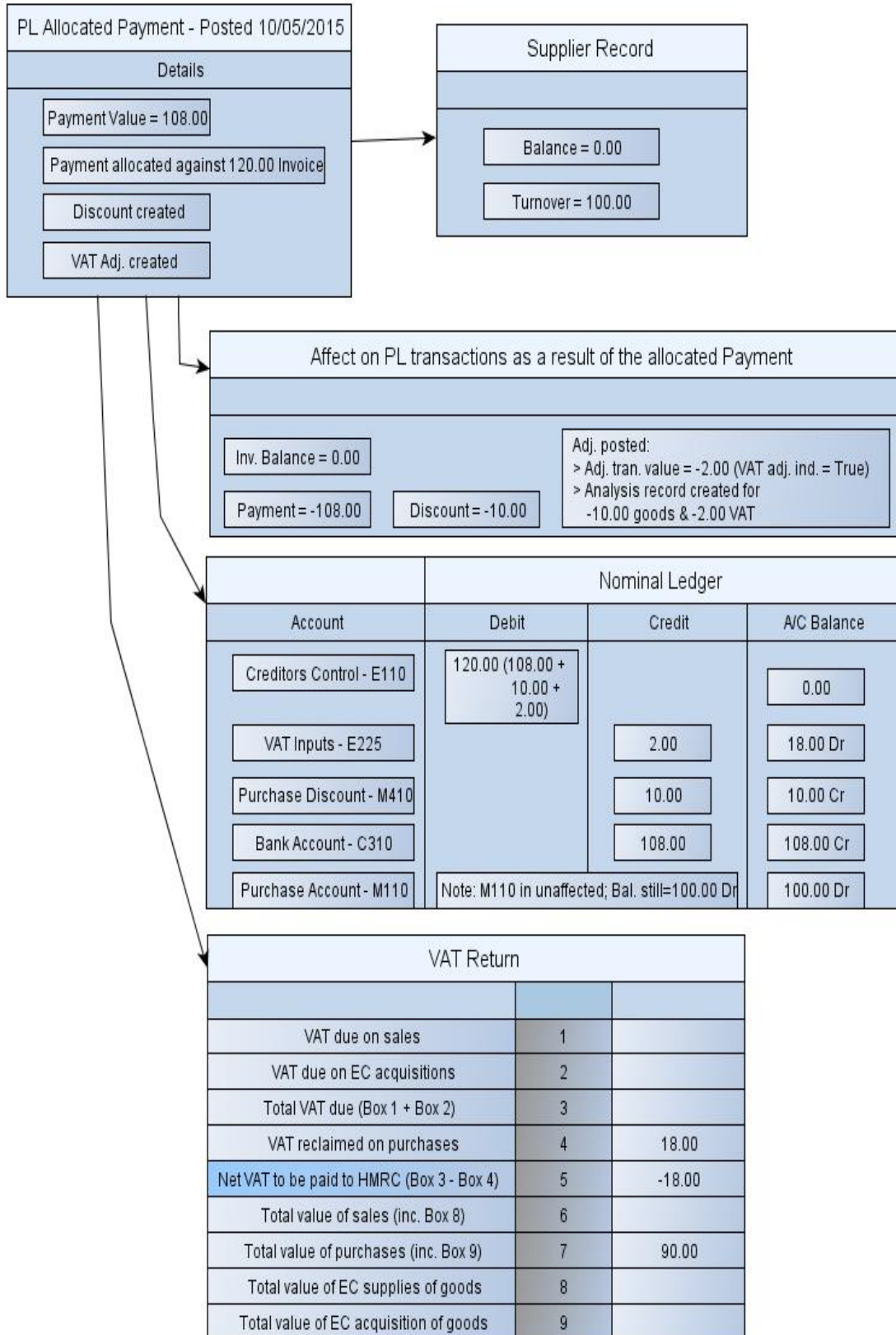
Step 2: Allocated payment is posted soon enough for settlement discount, and a VAT Return adjustment is posted. The turnover is reduced.

Your supplier pays £108.00 to clear the invoice, which includes £10 settlement discount and £2 for the VAT reduction. The turnover is reduced by the £10 settlement discount. The turnover is reduced by £10.



Alternative Step 2 (turnover not reduced): Allocated payment is posted soon enough for settlement discount, and a VAT Return adjustment is posted.

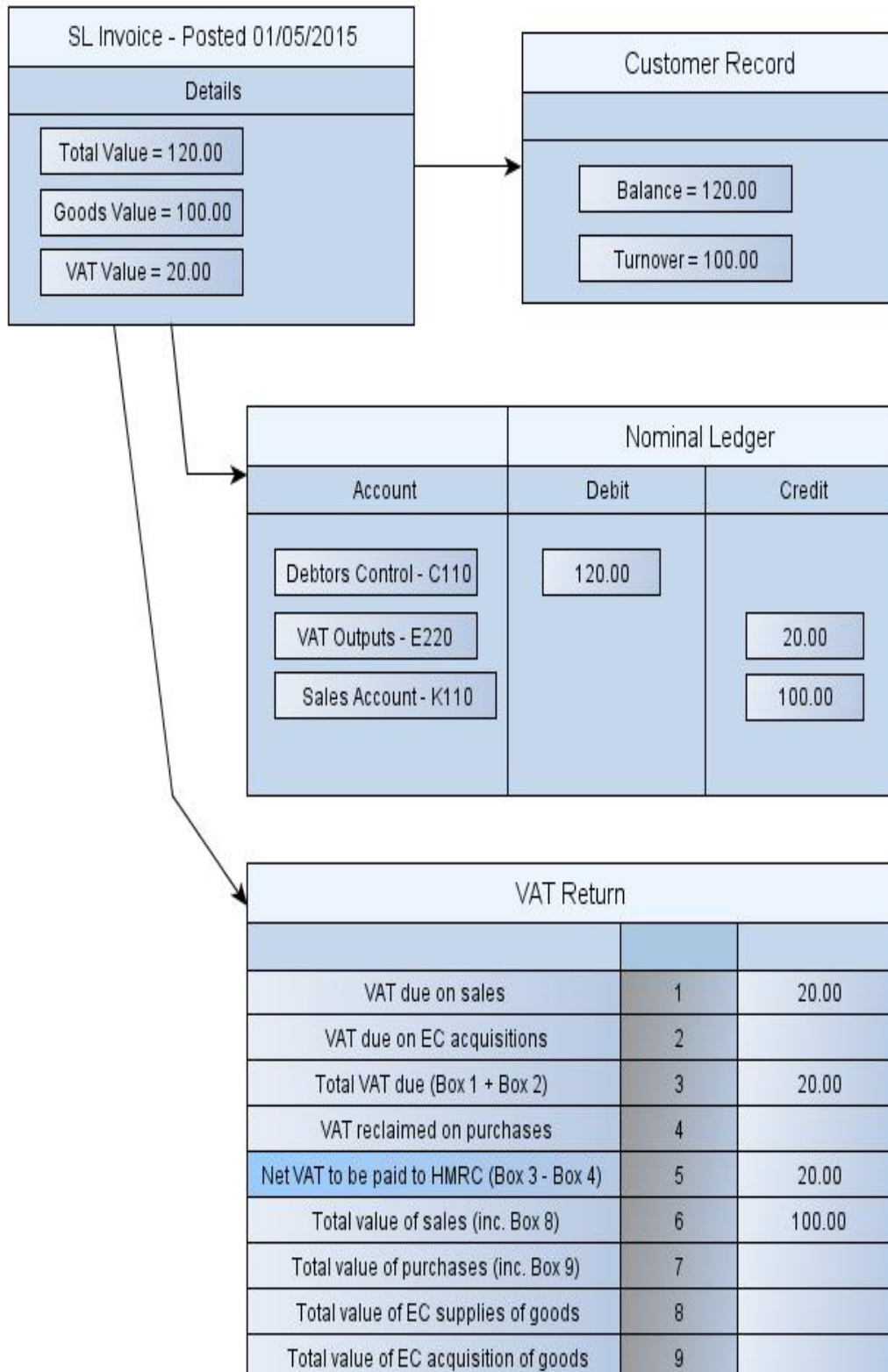
Your supplier pays £108.00 to clear the invoice, which includes £10 settlement discount and £2 for the VAT reduction. The turnover is reduced by the £10 settlement discount. The turnover is not reduced.



Data Flowchart - Sales Ledger

Step 1: Invoice Posted and Settlement Discount is offered

In this example the customer buys goods to the value of £120.00 (including £20.00 VAT). 10% settlement discount is offered if an invoice is paid within 14 days. This is a new customer so all account balances are zero before the invoice is posted. VAT is never included in the account turnover.



Step 2: Allocated receipt is posted soon enough for settlement discount, and a VAT Return adjustment is posted. The turnover is reduced.

Your customer pays £108.00 to clear the invoice, which includes £10 settlement discount and £2 for the VAT reduction. The turnover is reduced by the £10 settlement discount. The turnover is reduced by £10.

SL Allocated Payment - Posted 10/05/2015
Details
Receipt Value = 108.00
Receipt allocated against 120.00 Invoice
Discount created
VAT Adj. created

Customer Record
Balance = 0.00
Turnover = 90.00

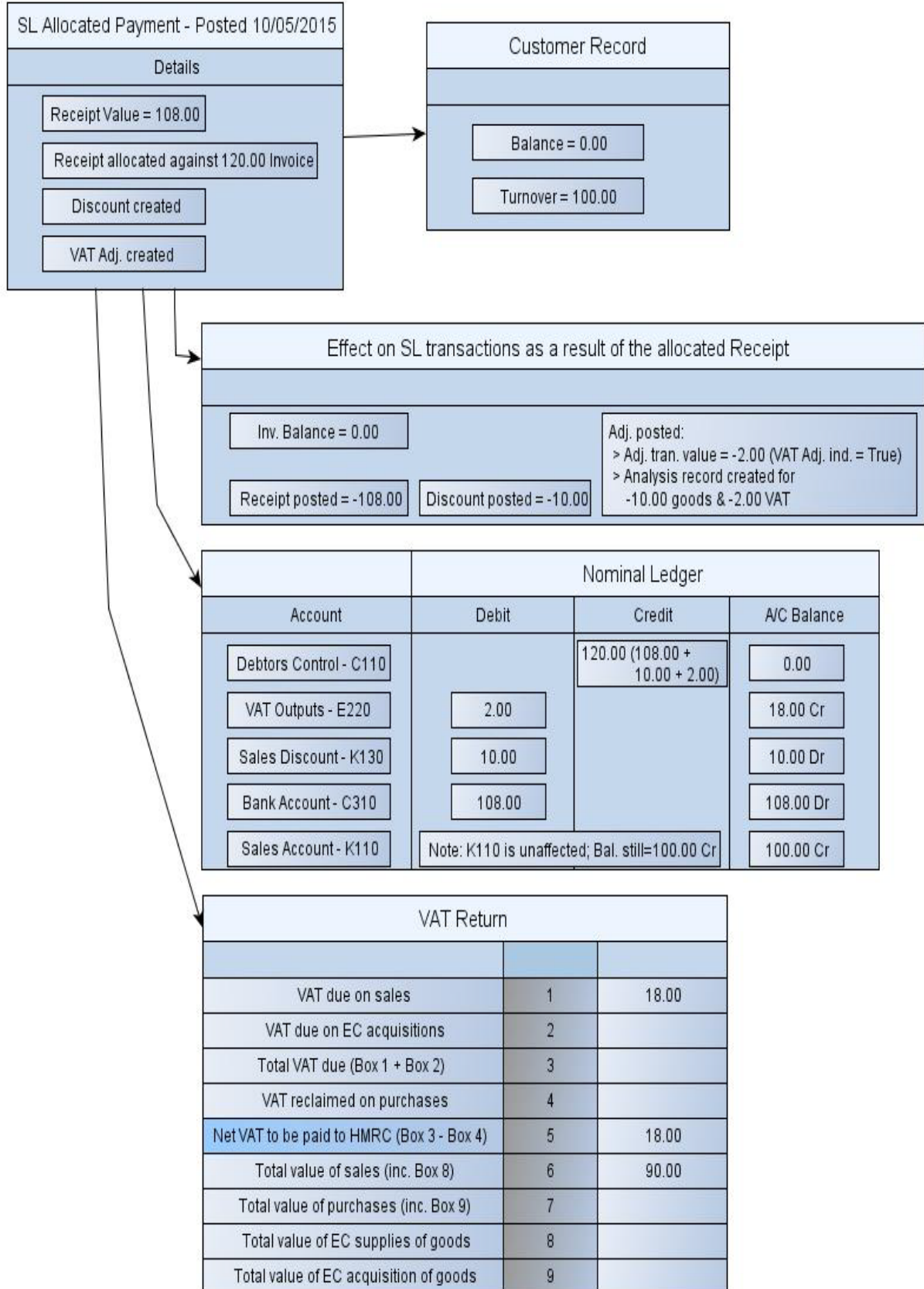
Effect on SL transactions as a result of the allocated Receipt	
Inv. Balance = 0.00	Adj. posted: > Adj. tran. value = -2.00 (VAT Adj. ind. = True) > Analysis record created for -10.00 goods & -2.00 VAT
Receipt posted = -108.00	Discount posted = -10.00

Nominal Ledger			
Account	Debit	Credit	A/C Balance
Debtors Control - C110		120.00 (108.00 + 10.00 + 2.00)	0.00
VAT Outputs - E220	2.00		18.00 Cr
Sales Account - K110	10.00		90.00 Cr
Bank Account - C310	108.00		108.00 Dr

VAT Return		
VAT due on sales	1	18.00
VAT due on EC acquisitions	2	
Total VAT due (Box 1 + Box 2)	3	
VAT reclaimed on purchases	4	
Net VAT to be paid to HMRC (Box 3 - Box 4)	5	18.00
Total value of sales (inc. Box 8)	6	90.00
Total value of purchases (inc. Box 9)	7	
Total value of EC supplies of goods	8	
Total value of EC acquisition of goods	9	

Alternative Step 2 (turnover not reduced): Allocated receipt is posted soon enough for settlement discount, and a VAT Return adjustment is posted.

Your customer pays £108.00 to clear the invoice, which includes £10 settlement discount and £2 for the VAT reduction). The turnover is reduced by the £10 settlement discount. The turnover is not reduced.



Your Notes

End of guide