

## Dealing with CIS tax Deductions

### Tax deducted from Sales Invoices

If a sales invoice you have issued is paid by the customer with tax deducted, the amount deducted must be recorded for tax return purposes and the net receipt recorded in the bank account.

- ◆ Create an account to hold the amount of the tax deducted until the full year end tax position is completed. Use the **ADD A CUSTOM ACCOUNT** process and we suggest you use something like “**CIS Deductions suffered Tax Year 2008/09**”. The account type would be **CURRENT ASSETS – OTHER**

#### ACCOUNTS → ADD A CUSTOM ACCOUNT

- ◆ Create the Sales Invoice in the usual way via the **ACTIVITIES** menu.

#### ACTIVITIES → CREATE INVOICE → Invoice tab

- ◆ When the Customer makes the net payment, initially record the payment as if the full amount has been received via the **RECEIVE PAYMENTS** process. It is important that at the **DEPOSIT TO** field **UNDEPOSITED FUNDS** is selected rather than a bank account.

#### ACTIVITIES → RECEIVE PAYMENTS

- ◆ The net payment received must now be transferred to the bank account from **UNDEPOSITED FUNDS**. This is done using the **TRANSFER FUNDS** screen

#### ACTIVITIES → TRANSFER FUNDS

- ◆ The unpaid amount now needs to be transferred to the **CIS Deductions suffered Tax Year 2008/09** account. Use a Journal Entry to do this.

#### ENTITY NAME → JOURNAL ENTRY

Memo					
CIS Tax deducted from Inv 00003					
<input type="button" value="Add Item"/> <input type="button" value="Undo Item"/> <input type="button" value="Save Item"/> <input type="button" value="Reset"/> <input type="button" value="Submit"/> <input type="button" value="Delete"/> <input type="button" value="Cancel"/>					
account ?	Debit ?	Credit ?	Memo	External Entity ?	
Select...				Select...	
#	Account	Debit	Credit	Memo	Name
1	Undeposited Funds		360.00		
2	CIS Deductions Suffered PAYE 05/06	360.00			
3					
4					
5					
6					
7					
8					
		360.00	360.00		

Note: It is perfectly possible to use a single journal entry to make both the transfers to the bank account and the deduction account and you may prefer to do this if you have many transactions of this nature to record.

## Tax Deducted from Suppliers Invoices

If you are required to deduct tax from a suppliers invoice, you will need to deal with tax deducted, make net payments to the supplier and pay the tax over to HM Revenue & Customs.

- ◆ Create a liability account to hold the amount of the tax deducted until it is paid over to HM Revenue & Customs. Use the **ADD A CUSTOM ACCOUNT** process and we suggest you use something like “**CIS Deductions held Tax Year 2008/09**”. The account type would be **CURRENT LIABILITIES – OTHER**

### ACCOUNTS → ADD A CUSTOM ACCOUNT

- ◆ Via the **ACTIVITIES** menu enter the Bill in the usual way for the full amount including VAT if relevant. Before you **SUBMIT** however, **ADD ITEM**, select the **CIS Deductions held Tax Year 2008/09** account and enter as a **NEGATIVE** the amount withheld and a VAT rate selected as “**OUT OF SCOPE**”.

### ACTIVITIES → ENTER BILL/CREDIT NOTE

Supplier Bill
Analysis
Memorise

Bill  Credit

Supplier: Electrical Sub Contractor

Reference:

Terms: 30 Days Net

Date: 12/10/2005

Tax Point: 12/10/2005

Memo:

Due Date: 11/11/2005

£: 1990.00

Add Item Undo Item Save Item Reset (Re)Calc Submit Delete Cancel

#	Account	Net Amount	VAT Rate	VAT Amount	Memo	Cus
1	.....Repairs	2000.00	17.5%	350.00		
2	CIS Withheld	-360.00	Out of Scope			
3						
4						
5						
6						
7						
8						
		<b>1640.00</b>		<b>350.00</b>		

- ◆ When the Bill is paid, the net amount is shown for payment. Remember to pay over the deduction to HMRC at the appropriate time.