

Self Billing Supplier

Self billing - payment application.

If you have a customer who has, in writing, requested that they prepare self billed invoices, and you have agreed to this, then you must not issue any VAT invoices to that customer for the time period agreed.

You may choose to provide your customer with a payment application (such as work in progress)

The system allows you to prepare and record payment applications.

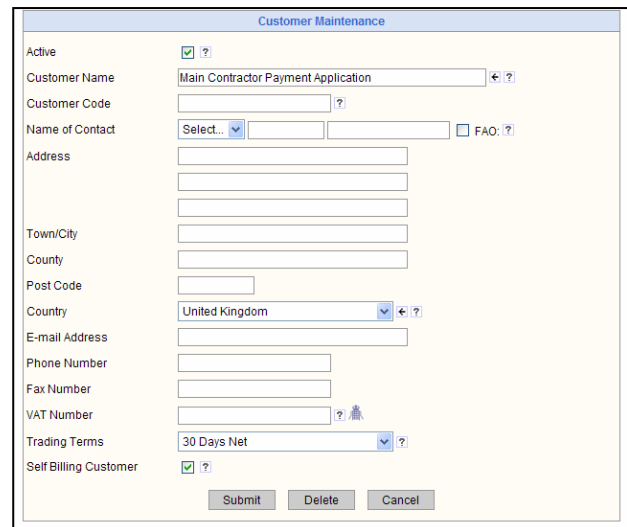
Create or amend the Customer Record

Create or amend the customer record via the **LISTS** menu. More information on the Customer record is available in the **Setting up a Customer** user guide.

LISTS → CUSTOMERS → ADD CUSTOMER

ENTITY NAME → OPENING BALANCES → CUSTOMER → ADD NEW

- ◆ If this Customer is one with whom you have a self billing agreement (as per VAT Notice 700/62 Self Billing) then by clicking this button, Payment Application documents with no VAT information rather than VAT invoices are prepared at the Create Invoice process.
- ◆ When you are happy with the data click on **SUBMIT**.



Creating a Payment Application Document

Creating a payment application is the same process as creating a sales invoice via the **ACTIVITIES** menu. See the **Creating Sales Invoices** user guide for more information.

ACTIVITIES → CREATE INVOICE → Invoice tab

The important difference is that the customer must have the self billing flag set **PRIOR** to starting the Invoice creating process.

Rather than an invoice a Payment Application document is prepared.



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To:
Main Contractor Payment Application
United Kingdom

PAYMENT APPLICATION

Number:	00000001
Date:	02/05/2007
P/O:	

Description	Qty	Rate	Amount
Plumbing work per Contract Plan	1.00	10,000.00	10,000.00
			Total Due
			£10,000.00

Terms:	21 Days Net - Payment Due By 23/05/2007	Total Due	£10,000.00
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Registration Number: #78

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This payment application is made for the value of work shown above.
Under our self billing agreement, this figure EXCLUDES any VAT amounts.
Please ensure that when you raise your self-billed invoice
VAT is added at an appropriate rate and the following words are displayed:
"THE VAT SHOWN IS YOUR OUTPUT TAX DUE TO CUSTOMS & EXCISE"

The document makes no reference to VAT amounts.

However accounting entries have been made which include a VAT amount equivalent to the relevant VAT rate applied to the Total due in the document. This amount will appear in the VAT control account (and therefore the VAT100 return) and the receivable amount from the customer includes the VAT, so in this example £11,750.00 as £10,000 plus VAT at 17.5%.

This means provided the customer pays the payment application amount as a self billed item (which should include the correct VAT amount) then other than receiving the cash nothing further need be done. See **Receiving Payments** user guide for more information on recording receipts.

However life it not always like that!

Dealing with receipts that differ from the payment application

This may be done in a number of ways, including deleting the original document and recreating a new document with the new self billed amount and receiving the payment against that. This of course means that no record of the original payment application (as sent to the customer) is retained on the system.

An alternative which retains an audit trail of the transactions is to leave the original document and amend the amounts using a journal entry document.

Taking the example above,

If the self billed amount becomes £9,000 rather than then £10,000 and the VAT is £1,575 rather than £1,750, the VAT difference is £175 and the sales difference £1,000.

The process would be

- ◆ Receive payments as if the full amount had been received (See **Receiving Payments** user guide). This will of course put an incorrect amount in the bank account.
- ◆ Adjust all impacted accounts using a Journal Entry (See **Using Journal entry** user guide)

ENTITY NAME → JOURNAL ENTRY

The accounts to be adjusted are the VAT control account, sales account and the bank account.

Journal
Analysis
Memorise

Relates To: ? Reference: ?

Reversing Journal: ? Date: ?

Non-VAT VAT Input (eg Expense) VAT Output (eg Income) ?

Memo:

(A)dd Item
(U)ndo Item
(S)ave Item
(R)eset
Submit
Delete
Cancel

Account ? Debit ? Credit ? VAT Rate ? VAT Amount ? Memo

Select... Select...

#	Account	Debit	Credit	VAT Rate Memo	VAT Amount Memo	Memo	Del
1	Current Account		1175.00				Del
2	VAT Control	175.00					Del
3	UK Sales	1000.00		17.5%	175.00		Del
4							
5							
6							
7							
8							
		1175.00	1175.00		175.00		

In this case reduce (Debit) the sales by £1,000 and VAT control by £175 and reduce the receipt in the bank account (Credit) by £1,175.

If the receipt was more than the payment application then the sales and VAT control accounts will need a credit adjustment and the bank account a debit.

Ensure that the VAT OUTPUT (e.g. Income) button is checked to ensure the VAT adjustment is properly recorded for the VAT100 return.

Note use the reference field to cross-reference the journal to the payment application and ensure that the date is the same as the receive payment date so that the two transactions are close together for bank reconciliation.

We suggest that the Journal is memorised, so that the structure is available for the next occasion.