# INSTRUCTIONS FOR COMPLETING MONTHLY VAT RETURN

# GENERAL

Each month a VAT return must be completed and reach the County Council, (Finance Shared Services, Purchase to Pay, Finance Directorate) within *one* week of the end of the accounting period to which it relates. All records used in the preparation of this return should be retained at the school. Please ensure returns are made within the timetable attached.

**PLEASE REMEMBER:**

1. VAT on Inputs refers to expenditure and VAT on Outputs refers to income transactions.
2. Ensure invoice & income entry is up to date before completing the VAT return.
3. Exclude any income and expenditure adjustments made to your monthly funding.
4. The submittal report should be signed by the person who has prepared the VAT return and the VAT return claim form should be signed by the Head teacher.
5. Retain a copy of your working papers and the VAT return.
6. Should you experience any problems or delays in submitting your VAT return please contact Financial.Accounting@essex.gov.uk

## PART 1 – SIMS SOFTWARE – FMS6

1. ***VAT Codes in SIMS FMS6***

**VAT Inputs (Expenditure)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Ledger Code** | **Description** | **VAT Code** | **Group** | **Rate** | **Recoverable** |
| 0001VI00 | VAT (Exp.) Standard Rate | 1 | VAT | 17.50% | Yes |
| 0002VI00 | VAT (Exp.) Reduced Rate | 2 | VAT | 5% | Yes |
| 000NVI00 | VAT (Exp.) Non-business | N | VAT | 0% | Yes |
| 000ZVI00 | VAT (Exp.) Zero rated | Z | VAT | 0% | Yes |
| 0006VI00 | VAT (Exp.) Standard Rate | 6 | VAT | 15% | Yes |
| 0007VI00 | VAT (Exp.) Out of Scope | 7 | VAT | 0% | Yes |
| 0008VI00 | VAT (Exp.) Standard Rate | 8 | VAT | 20% | Yes |

***Please note****: the 12.5% rate for Hospitality was a temporary reduced rate up to 31st March 2022 and should no longer be in use.*

*The standard rates of 15% and 17.5% are not currently in use but may still show on your FMS system, the rate as at 01/07/22 is 20%. If the standard rate is changed by HMRC, you will need to add new VAT codes to your system.*

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**VAT Outputs (Income)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Ledger Code** | **Description** | **VAT Code** | **Group** | **Rate** | **Recoverable** |
| 000AVO00 | VAT (Inc.) Standard Rate | A | VAT | 17.50% | Yes |
| 000BVO00 | VAT (Inc.) Reduced Rate | B | VAT | 5% | Yes |
| 000CVO00 | VAT (Inc.) Non-business | C | VAT | 0% | Yes |
| 000DVO00 | VAT (Inc.) Zero rated | D | VAT | 0% | Yes |
| 000EVO00 | VAT (Inc.) Standard Rate  | E | VAT | 15% | Yes |
| 000FVO00 | VAT (Inc.) Standard Rate | F | VAT | 20% | Yes |
| 000XVO00 | VAT (Inc.) Exempt | X | VAT | 0% | Yes |
| 000SVO00 | VAT (Inc.) Out of Scope | S | VAT | 0% | Yes |

1. ***Adding the VAT Registration Number***

The ‘Accounts Receivable’ option is available within SIMS FMS6. To enter the Essex County Council VAT registration number 104 2528 13 access Tools > Establishment Details

1. ***Enter the VAT Periods***

To set up SIMS FMS6 with the monthly VAT periods, access Tools > Define VAT Periods VAT should default to the last day monthly.

***4. Process VAT Claim***

To process a VAT claim within SIMS FMS6, access Reports > General Ledger > VAT Reports

Select ‘+’ for next period and confirm you wish to continue.

View the VAT Full Report on screen to ensure that the correct VAT code has been applied to each entry and make any adjustments (if needed) on the system; once completed, print the VAT Full Report. Immediately after, open the VAT Submittal report and print - a box will come up saying ‘did the report print successfully?’ If it did then hit the ‘yes’ button, but only once the report has come out of the printer as this then seals the VAT for that month and the submittal cannot be re-printed.

*Certain items are outside the scope of VAT and these should be subtracted from the total value of the inputs and outputs before completing the VAT return.*

To obtain the correct value of the Outputs excluding the VAT (Income and Receipts) deduct the value of the following items from the NET total:

**Receipts from insurance claims.**

**Grants, loans and gifts of money.**

**Income from other County Council Departments and schools.**

To obtain the correct value of the Inputs excluding VAT (Expenditure) deduct the following items from the NET total:

:

### **Expenditure charges to other County Council Departments and schools.**

**Wages and salaries, PAYE and National Insurance contributions**

**MOT certificates, Motor vehicle licence duty and the Rates.**

The above should all have been entered into SIMS FMS6 with a VAT indicator ‘7’ or ‘S’ (excepting salaries VAT indicator ‘0’). Therefore, VAT groups ‘7’ and ‘S’ must be excluded from the VAT return. Additionally, any imports from other EU member states (which would be liable to UK VAT if they had been purchased in the UK) should be identified and the net totals manually calculated. Please see the VAT manual for more detail on this or contact Financial.Accounting@essex.gov.uk.

**To complete the VAT return for submission to the County Council use the submittal report and the *adjusted* totals.**

**Copy the ‘VAT Totals’ into boxes 2 and 3 on the claim form. To do this:**

* Enter the **VAT Totals** from the column headed ‘Outputs Net’ into the box titled ‘VAT DUE ON OUTPUTS’ (Subjective-9902).
* Enter the **VAT Totals** from the column headed ‘Inputs Net’ into the box titled ‘VAT ON INPUTS’ (Subjective-9901).

Please note the difference between VAT on outputs and VAT on inputs is the reimbursement and this is entered at the bottom of the claim form into box 10 titled ‘TOTAL REIMBURSEMENT’.

**Copy the *adjusted* ‘VAT Period Net Totals’ into boxes 4 to 7 on the claim form.**

**To do this:**

* Enter the VAT Period **Net** Total from the column headed ‘Outputs Net’ into the fourth box and fifth boxes titled ‘OUTPUTS EXCLUDING VAT’ (Subjective 9908 and 9907). Please note that although the amounts are the same, the figure in the fourth box (Subjective 9908) must be in BLACK INK and the figure in the fifth box (Subjective 9907) must be RED INK.
* Enter the VAT Period **Net** Total from the column headed ‘Inputs Net’ into the sixth box and seventh boxes titled ‘INPUTS EXCLUDING VAT’ (Subjective 9905 and 9906). Please note that although the amounts are the same, the figure in the sixth box (Subjective 9905) must be in BLACK INK and the figure in the seventh box (Subjective 9906) must be RED INK.

**Copy the calculated total of any imports from other EU member states (which would be liable to UK VAT if they had been purchased in the UK) into boxes 8 and 9 on the claim form.**

**To do this:**

* Enter the calculated total into boxes 8 and 9 titled ‘IMPORTS FROM OTHER EU MEMBER STATES’. Please note that although the amounts are the same, the figure in box 8 (subjective 9909) must be in BLACK INK and the figure in box 9 (subjective 9910) must be in RED INK.

The following reports should then be scanned and emailed to Schools.VATReturns@essex.gov.uk:

* Full Report
* Submittal Report
* VAT Claim Form

***5. Process the VAT Reimbursement***

Use the VAT Reimbursement journal Focus > General Ledger > Manual Journal Processing

Use ‘+’ and select ‘VAT Reimbursement’.

* Debit **000FVO00** with the value of the standard rate VAT on income.
* Credit **0008VI00** with the value of the standard rate VAT on expenditure.
* Credit **0002VI00** with the value of the reduced rate VAT on expenditure.

The difference between these figures will then show as a debit to the bank account.

## PART 2 – RM FINANCE

1. ***VAT Codes in RM Finance***
* To view VAT codes click on ‘Records’ and ‘VAT Table’.
* The VAT rates can be amended should there be any change in the VAT legislation, this can be done by selecting the VAT rate to be amended then clicking on ‘Edit’, typing the latest VAT rate and clicking on ‘OK’ to confirm.
* The VAT codes are pre-set within RM Finance, and are numerical. They are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Within RM** | **Description** | **Within Essex** | **VAT Rate** |
| 0 | Zero-rated | Z | 0% |
| 1 | Standard Rate | 1 | 20% |
| 2 | Reduced Rate | 2 | 5% |
| 3 | Non-Business | N | 0% |
| 4 | Reversed Charge | R | 0% |
| 5 | Standard Rate | 1 | 17.5% |
| 6 | Not in Use | - | - |
| 7 | Use where marked\* | - | 0% |
| 8 | Exempt (Sales Only) | X | 0% |

***Please note****: the 12.5% rate for Hospitality was a temporary reduced rate up to 31st March 2022 and should no longer be in use.*

*The standard rates of 15% (code 6) and 17.5% (code 5) are not currently in use but may still show on your system, the rate as at 01/07/22 is 20%. If the standard rate is changed by HMRC, you will need to add new VAT codes to your system.*

\* VAT code ‘7’ should be used for those items that are outside the scope of VAT. These transactions must be excluded from the VAT report. Having a separate VAT indicator for these types of items should make them easier to identify and exclude from the VAT return submitted to the County Council.

**\*Items that should be treated as outside the scope of VAT are as follows:**

* **For outputs (Income and Receipts)**

**-** *Receipts from insurance claims*

* *Grants, loans and gifts of money*
* *Income from other County Council Departments and schools*
* **For Inputs (Expenditure)**

 *- Expenditure charges to other County Council Departments and schools*

* *Wages and salaries*
* *PAYE and National Insurance contributions*
* *MOT certificates*
* *Motor vehicle licence duty*
* *Rates*

***2. VAT Number***

The VAT number for Essex County Council has already been added to the RM Finance. To view go to Records > Income Sources and Suppliers and finally click on ‘>>’. The LEA has been pre-defined as an income source and the Essex County Council VAT number has also been entered, it should be showing as ‘104 2528 13’. To leave the screen, close the door.

***3. Processing the VAT claim***

A VAT claim should be processed immediately following the end of the VAT period. A VAT timetable is attached to these notes. The instructions are as follows:

* Click on Records > VAT Table.
* Click on Print.
* Firstly print a ‘Summary (VAT Table). This will detail all VAT transactions for the period to date and for the quarter to date for each of the different VAT codes.
* Now prepare the VAT return by printing the ‘VAT Transactions’ and enter the ‘from date’ as the 1st April 2011 and the ‘to date’ as the end date for the VAT period being claimed. Only transactions unclaimed on any previous returns will be listed. Highlight the box for a detailed report. The destination should be printer. Click ‘OK’ to print.
* Confirm that you wish to mark these transactions as claimed by answering ‘YES’. Once the transactions have been marked as claimed they will be excluded from all future VAT claims. Use this information to complete your VAT claim form. Remember to sign and date the VAT claim form before submittal. Certain items are outside the scope of VAT - these must be identified and excluded from the VAT claim. It is recommended that VAT code ‘7’ be used for these items to ensure they are easily identifiable.
* Please attach a photocopy of the ‘VAT Transactions’ report to the reverse of the VAT claim form and return to the County Council within one week of the close of the VAT period to which the claim relates.

To carry out the adjustments required before submission to the County Council, ENSURE A ‘VAT TRANSACTIONS’ REPORT IS PRINTED this will give a listing of every single item of income and expenditure entered onto the computer between the given dates.

**Certain items are outside the scope of VAT and these should be subtracted from the total value of the inputs and outputs before completing the VAT return.**

To obtain the correct value of the Outputs excluding the VAT (Income and Receipts) deduct the value of the following items from the NET total:

**Receipts from insurance claims, Grants, loans and gifts of money.**

**Income from other County Council Departments and schools.**

To obtain the correct value of the Inputs excluding VAT (Expenditure) deduct the following items from the NET total:

### **Expenditure charges to other County Council Departments and schools.**

**Wages and salaries, PAYE and National Insurance contributions**

**MOT certificates, Motor vehicle licence duty and the Rates.**

The above should all have been entered into RM Finance with a VAT indicator ‘7’. Therefore, VAT group ‘7’ must be excluded from the VAT return. Additionally, any imports from other EU member states (which would be liable to UK VAT if they had been purchased in the UK) should be identified and the net totals manually calculated. Please see the VAT manual for more detail on this or contact Financial.Accounting@essex.gov.uk.

**To complete the VAT return for submission to the County Council use the ‘VAT Transaction’ report and the *adjusted* totals.**

**Copy the ‘VAT totals’ into boxes 2 and 3 on the claim form. To do this:**

* Enter the amount for VAT for Income into the box titled ‘VAT DUE ON OUTPUTS’ (Subjective-9902).
* Enter the amount for VAT for Expenses into the box titled ‘VAT DUE ON INPUTS’ (Subjective-9901).

Please note the difference between VAT on outputs (Income) and VAT on inputs (Expenses) is the reimbursement and this is entered at the bottom of the claim form into box 10 titled ‘TOTAL REIMBURSEMENT’

**Copy the *adjusted* ‘VAT Period Net Totals’ into boxes 4 to 7 on the claim form.**

**To do this:**

* Enter the amount for Nett Income into the fourth box and fifth boxes titled ‘OUTPUTS EXCLUDING VAT’ (Subjective 9908 and 9907). Please note that although the amounts are the same, the figure in the fourth box (Subjective 9908) must be in BLACK INK and the figure in the fifth box (Subjective 9907) must be RED INK.
* Enter the amount for Nett Expenses into the sixth box and seventh boxes titled ‘INPUTS EXCLUDING VAT’ (Subjective 9905 and 9906). Please note that although the amounts are the same, the figure in the sixth box (Subjective 9905) must be in BLACK INK and the figure in the seventh box (Subjective 9906) must be RED INK.

**Copy the calculated total of any imports from other EU member states (which would be liable to UK VAT if they had been purchased in the UK)** **into boxes 8 and 9 on the claim form.**

**To do this:**

* Enter the calculated total into boxes 8 and 9 titled ‘IMPORTS FROM OTHER EU MEMBER STATES’. Please note that although the amounts are the same, the figure in box 8 (subjective 9909) must be in BLACK INK and the figure in box 9 (subjective 9910) must be in RED INK.

Please note that although it is possible to obtain a VAT Reimbursement return from RM Finance, these reports do not differentiate the transactions by VAT code or give a total for the net amounts payable or received. For these reasons it is probably preferable to use the ‘VAT Transactions’ report obtained through ‘Records’ and VAT Table’.

***4. Processing the VAT Reimbursement.***

## Add the reimbursement analysis code

* Begin by setting up a VAT Reimbursement analysis code. This is done through ‘Records’ and ‘Inc & Exp Analysis’. Add an income type called ‘VATRE’ and the description ‘VAT Reimbursement’.

**Enter the VAT Reimbursement**

* Please note that amounts will only appear in the ‘Turnover Period to Date/Year to Date’ after the first VAT reimbursement has been recorded within RM Finance.
* To process the VAT Reimbursement click on ‘Transactions’ and ‘Income’.
* The income source is LEA Income and the gross amount should be entered as shown on the BACS slip. Use ‘VATRE’ as the analysis code. The reference should be ‘VAT – BACS No’. The VAT indicator is ‘7’. Complete the remaining details and click on ‘OK’ to finish.
* The budget account MUST BE left blank – by doing this the reimbursement will not be linked to a budget account and therefore will not appear on any of the budget reports.
* Select the current bank account and then confirm that you wish to post the transaction.