# **VAT TIPS (FMS)**

**DEALING WITH VAT DIFFERENCES**

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**VAT DIFFERENCES**

The annual year end closing procedure usually present several schools with differences between VAT totals on the Trial Balances and the cumulative total of submittals due for reimbursement. The following are some precautionary tips aimed at reducing the occurrence of these anomalies:

1 **Allowable Difference**

There may be a difference between the totals on the VAT codes on the Trial Balance and the total submittals outstanding. This will represent the VAT element on any transactions entered in April, relating to period 12 but which will be included in the April VAT submittal report. Any other difference should be investigated to determine if it is the result of an omission or error.

2 **Voluntary Aided Schools**

The element of capital works expenditure, not eligible for VAT reimbursement in respect of VA schools, should not include VAT when processing related invoices on FMS. The gross amount should therefore be posted to the relevant ledger code(s). If these invoices are included, with VAT, the non-refundable amount will be manually deducted from the submittal report, prior to reimbursement. That amount will remain on the trial balance VAT account, until adjusted. When eventually adjusted, against the relevant expenditure ledger code, this will result in unbudgeted commitment(s) in the year that the journal is posted. Two adjustment journals will need to be carefully entered via the cashbook. Your Business Analyst can however assist with this process.

3 **Misallocation of Income**

Occasionally amounts received for other income are processed as VAT reimbursement journals or VAT income, entered as a normal cashbook journal. These transactions will require correction so that the trial balance reflect the correct amount outstanding.

4 **Closing of Submittal Report Print Process on FMS**

Be careful when printing the monthly VAT submittal report, to ensure that you answer “**Ye**s” to the successful print question after retrieving the report from your printer. This will prevent additional transactions being added via Accounts Payable or Receivable after that submittal have been presented for reimbursement.

5 **Reconciliation Statement**

Please maintain a cumulative reconciliation statement showing:

* Monthly VAT submittals
* Actual reimbursements received
* Outstanding reimbursements/running total

It is worth printing the short summary report (on screen) to check that there is no difference from the submittal (re 4 above). Also check that the amount paid matches the submittal and report any variations to the Schools Finance Team at Hackney Education. Where there are outstanding reimbursements for prior months, please query with the Schools Finance Team as, in some instances, the team may not have been in receipt of the relevant VAT submittal.

6 **Monthly Closing (FMS)**

Please ensure that you close the period each month after completing the bank reconciliation process. This will prevent transactions being posted to months already completed and reported on and ensure that any reprinting of reports is consistent with the original.

7 **Differences on Year End Statements**

Schools should check that there are no VAT differences carried forward on their yearend statement. If any, the amount should only be as stated in (1) above. This amount can be determined by printing the period 1 (April) VAT Full Report and identify items with:

* Date of period 12 (previous year) bank reconciliation
* GL or PC Transaction Type
* The stated VAT amount (net of any Output income)

**This should be completed by yearend**

**See Example Appendix A**

If in doubt, please contact your Business Analyst.

Any other differences must be investigated and adjusted as per above.



