Notification Report
Vat Changes in Revelation
01 March 2013
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Custom Module

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1 The VAT Engine is changing – Take note!!!

The Receiver of Revenue has been hard at work in becoming one of the most effective Tax agencies in the world. They have been implementing new systems and procedures and recently rolled out their new Verification requirements on VAT submissions. Due to this, Revelation will be changing the way VAT is processed in Revelation.

1.1 What are the new VAT requirement and how does it affect Revelation

This is a copy of a letter that you or your auditors may expect from the Receiver from now on. It is called a “Verification of VAT Declaration” and states as follow:

South African Revenue Service

Dear Taxpayer

VERIFICATION OF VALUE-ADDED TAX DECLARATION (VAT201) FINAL REQUEST

The South African Revenue Service (SARS) thanks you for submitting your VAT201 declaration for the 201210 tax period.

Please note that, in terms of the Tax Administration Act, your VAT201 declaration has been identified for verification as a result of variances detected in this submission.

We have not yet received your request for correction of the VAT201 or relevant material for the xxxxxx tax period as requested in the letter dated xx-xx-20xx.

Please review your VAT201 declaration against your relevant Value-Added Tax (VAT) calculations and relevant material. If you find any errors, correct them by submitting a request for correction.

If you cannot find any errors pertaining to the VAT201 declaration, you are required to submit the following relevant material:

The output tax schedule, input tax schedule, all documents relating to capital expenditure claimed (if applicable), and other transactional documents that would for example, substantiate any increase/decrease in sales, inventory, change in use adjustment or bad debts.

Please ensure that you enclose this original letter when submitting your relevant material, as it contains a unique bar-coded reference which links it to your VAT account with SARS. A photocopy of this letter will not be accepted by SARS. You may however make a copy of this letter for your records.

Note that SARS only accepts relevant material in A4 format.

In a nutshell, the Receiver now reserves the right to demand more accurate backing documentation when querying a VAT201 submission. One of the effects is that Accountants have to now supply detailed ledger when receiving a query from the receiver based on a VAT201 submission. Everyone has to step up their game, so to speak. It is no longer acceptable to have a single VAT total for a multiple item Invoice. Each item type on the invoice has to display its own VAT. You may even have input and Output Vat on the same invoice, depending on the GL code used on the Invoice line (in the case of using Odd items). In Order to accommodate the new VAT requirements, Revelation has made the following changes that you need to be aware of:
The VAT Summary option to Ignore Past Period Journals have been amended
The VAT Summary Report has been changed
The VAT Transaction Report has been amended
Nominal Journals have been amended
GRN’s and Invoices have been amended.

1.2  VAT Report – Removed the “Ignore Past Period Journals” option

When posting Past Period Journals, Revelation understands that you cannot go back in time and pay the Receiver in the Past. For this reason we add the Past VAT to the current VAT. However, when looking at the TB, the VAT total did not look correct (Due to the Past Period VAT ) For this reason, we have always given the option to “Ignore any transactions dated EARLIER than this range”.

This option has now been removed as the past Period VAT total are now added as part of the Standard VAT Summary report under its own heading.

1.2.1  VAT Summary Report

Although the old VAT Summary Report has been one of the best on the market, the time has come to improve the trusty Report. Revelation now offers a “BOX” Report that will assist the user in completing the VAT 201 form that is even simpler to use than before.
One of the techniques that modern auditors use, is to tally up the totals in the Income section of the TB and then to compare this with the VAT Report. In order to accommodate Auditors that use this method, we now add the TB Income totals at the bottom of the New Vat Summary Report. This can then be compared to the Capital Amount OUTPUT Vat. In theory, the two should always balance. To make sure this balancing act takes place, from now on VAT will no longer be calculated by “the process” (like Invoicing) to determine if it falls into the Input or Output VAT accounts but rather by the GL or Nominal account number group it belongs to.

From now on, all Income accounts (10001 to 19999) will automatically be processed against the OUTPUT VAT system, no matter the process, and all the Expense (20001 – 29999), Assets (30001 – 39999) and Liability (40001 – 49999) Accounts, will be processed against the INPUT VAT system. In this way, it does not matter if you do an Invoice into the Expense, Assets or Liability Accounts or a GRN into the Income Accounts, the TB to VAT report will always balance.

The ONLY reason that they will not balance would be in the event of NON VAT transactions into the Income Ledgers (like Late Interest charged). If the TB and Output VAT totals do not balance for this reason, we have now introduced Exception Report to track these totals down. (See point 1.2.2. below).

One other improvement on the new Summary Report is the VAT Control account total that is now displayed at the very bottom of the report. If you have moved over to a new month without doing a month-end (hanging over), the VAT Control amount is then simulated.

We highly recommend that you make sure that the VAT Control Account and the Reports Balance. If not, a Journal should be passed into a holding account such as VAT Arrears (or something to that effect). Please consult your Auditors on this matter.

⚠️ Tip: For the users that hate change, we have however decided to leave the old Summary and Transaction reports in place.

### 1.2.1.1 VAT Exception Reports

To make life easier, we have now developed an elaborate Exceptions Report engine that will allow you to look for VAT anomalies. If the TB turnover and the Output VAT does not equal, you may print any of the exception report that have been added. These will include looking for Income accounts that did not attract VAT (such as Interest charged on overdue Debtor’s accounts).

Here is a list of all the Exception report options:
Other Exception reports available are:

1.2.1.2 Vat entries where the Code is not the same as the GL Account

Each GL account has a standard VAT code attached to it (when the account was created or edited). A report can now be printed where the actual transaction VAT was changed by the user during a VAT posting.

This has proven a huge help to auditors as they will save precious time looking for these anomalies in order to either correct them or explain the variation.

1.2.1.3 Where the VAT amount does not equal the normal VAT percentage

A common mistake a lot of auditors and bookkeepers make is to simply calculate the VAT percentage from TB. Two problems here: Firstly not all sales/purchases attract VAT and secondly (in the case of importers) not all VAT is the same amount/percentage.

This report will alert you to any amount that does not equal to the percentage of the default VAT code it was produced under. In our example below the Import VAT was just over 70%.

Look out for and asterisk sign “*” next to the amount that does not equal up to the total going VAT rate.
1.2.1.4 Where a comparison is done against the Nominal transactions

This report compares the VAT Transactions to the transactions in the Nominal Ledger and then prints a list where they do not agree.

1.2.2 VAT Transaction Report

The VAT Transaction list is probably the report that has been affected the most. This is due to the way that Revelation now handles VAT (based on the new requirements). In Revelation each Category can be programmed to have its own Sales, Cost-of-Sales and Stock Control Account (used the Nominal Wizard to assist in setting this up). From now on each of the Categories on an invoice will be reported separately on the Transaction Report. This means that a Single invoice will have multiple legs on the report, depending on the amount of categories on the Invoice.

We have also done away with reporting the different VAT code entries next to each other. Instead, each VAT code will be reported under its own Header with that VAT codes Invoices. This will mean that a Single VAT Invoice, that has multiple VAT type, will be reported under multiple headers.

Obviously the data that was processed under the old VAT engine (before you updated from the WEB) cannot accurately be reported under the new VAT report. For this reason we have built in an emulator engine that will attempt to back calculate such data to give the desired results on the new vat report. To distinguish these emulated figures from the new VAT figures, a “smaller as” sign “<”
will be placed next to the figure on the VAT report. This should start disappearing once the new VAT Engine has been implemented and running for a time. Then only Past VAT Reports will still contain this marker.

1.2.2.1 Transaction Reports listed by Creditor (Input VAT) & Debtor (Output VAT)

This option will allow you to list the same information as above but with the exception that it will list the actual Suppliers and Clients names instead of the GL accounts that they are linked to.

1.3 Nominal Journals

One of the biggest problems we have had with the TB not balancing to the VAT Report is Journal postings into the Income and Expense accounts. The Journal that was posted without a VAT component would then Debit or Credit the TB, but would not influence the VAT Report (due to the absence of a VAT component). This would create the impression that the VAT report was incorrect if compared to the TB. (This was especially true for those Auditors that used our competitor product and was used to the way they handle Journals, TB’s and VAT).

We now force each Journal into the Income and Expense accounts to have a VAT code. If the Journal is Zero rated, you should select the Zero rated code (usually 02). This is the only way that we can balance the TB to the VAT Report.
1.4 VAT Invoices / GRN's

As mentioned before, the Type of document processed no longer determines the VAT account involved. This is now driven by the GL Code. Only Income GL accounts will be posted (as a Debit or Credit) into the OUTPUT VAT Account. This means that even GRN’s into the income account (I can’t think of a reason why this would ever be done, but users often used to do this) will be reflected in the OUTPUT VAT Account. The same is true for Invoicing into the Expense, Assets and Liability Accounts. INPUT VAT will always be affected.

For this reason, transactions may from now on have OUTPUT & INPUT VAT on the same document. You may invoice items with the variable nominal analysis switched on and choose an expense account as the contra leg. This will result in such a dual VAT account scenario. In the case of an Invoice for instance, both VAT Accounts will still be credited (resulting in the same VAT Result as the old method) but will force the TB and VAT Reports to balance.

In conclusion these changes have now placed Revelation way ahead of any of its competitors when it comes to dealing with VAT. Once again we have proven that it is not the most expensive package in the market place that performse well, but rather one with its ear on the ground and that lisents to its users.

Please remember to update regularly !!!