

Mamut Business Software

Introduction

VAT rate change



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INTRODUCTION

Standard VAT rate change

As you may be aware, the standard rate of VAT will be increased from 17.5% to 20%, effective from the 4th of January, 2011. From the 4th of January, the new rate should be used on all orders and invoices. Full details about this change can be found on the HRMC website: <http://www.hmrc.gov.uk/vat/forms-rates/rates/rate-increase.htm>.

Mamut Service Agreement keeps you up to date

Mamut has released the VAT rate adjustment tool to help make sure that you remain up to date with changes in the law, without disruption to the way you work. This tool is available for download and should be run on or after the 4th of January 2011.

We have set up a special webpage with all the information you require to update your system for this change. Please take a look at www.mamut.co.uk/update.

Important information about the product version!

It is important to note that in order to use this tool, you must be using version 12.2.7038 or newer of Mamut Business Software. You are able to check which version you are using by selecting **Help - About** in your Mamut system. If you are not using version 12.2.7038 or newer, please update your software before using the VAT rate adjustment tool.

If you have Mamut 12.2.7038 or newer installed, please read on and follow the directions for updating your software for the changes to the standard VAT rate.

New prices for products

The VAT rate adjustment tool will update each of your products with the new VAT rates. As a standard setting this will change your selling price in line with the changes in VAT.

If you do not want to change your retail prices, you can select the advanced function within the VAT rate adjustment tool so that retail prices will remain unchanged. Refer to the section "Who pays for the change in cost" below for more information about this.

How to get started?

A: Ensure that you have Mamut Business Software version 12.2.7038 or newer installed.

B: Download and Install the VAT rate adjustment tool. Refer to the section "How to update and start using the new rates" below for more information regarding this process.

When should you use the tool to update your system?

As mentioned above, the VAT rate will change on the 4th of January 2011 so at which time you run the tool depends on the aspect that you wish to update.

The VAT rate adjustment tool gives you three standard options and one advanced option for updating your system for the changes in VAT:

Standard Functions

Update - Chart of Accounts

We recommend that you use this function to update all of the accounts within the chart of accounts to the new rate. Do so once you have finished posting the majority of entries for the month of December and are about to start on January. An example of how this works is the Sales account N/C 4000. This account uses the standard rate of VAT. After updating the chart of accounts, by default this account will use the new rate and not the old one. Ideally this update should be made as soon as entries are about to be made that relate to dates past the 4th of January.

Update - Products

As mentioned above, we recommend that you run this process on the 4th of January. This function will update the rate used as a default on all products in the product register. This way, when you create a new order in January it will use the new rate automatically rather than the old rate. This option will lead to an increase in sales price aligned with the VAT rate increase. If you wish to keep your sales prices unchanged then you need to run the advanced function in addition to this option.



Note! As soon as you have run the VAT rate adjustment tool the new VAT rates will be created automatically and can be used on orders and invoices as soon as your Mamut system has been restarted.

Update - VAT codes

This part of the tool will simply hide the old VAT codes when in the journal entry. This is useful to ensure that all staff are using the new codes, for example when booking petty cash expenses. We recommend that you run this process when you are finished using the old rates in the journal entry.

Please note that it is possible to adjust the sorting of the VAT codes. This can be done by going to **View – Settings – Company** then **VAT codes**. Read more about this below.

Advanced Function

Update - Prices

If you do not want the increase in VAT to increase your retail prices, you should use the **Update – Prices** function to reset the affected prices. This option should be run after having updated the products with the **Update – Products** function, and will reduce your profit margin so that the retail prices remain the same as before the change in VAT rate. Select **Enable updating of prices to keep retail prices unchanged (Reduce profit margin)** to activate this option. You can read more about this alternative in the section “Who pays for the change in cost” below.

HOW TO UPDATE AND START USING THE NEW RATES?

VAT rate adjustment tool

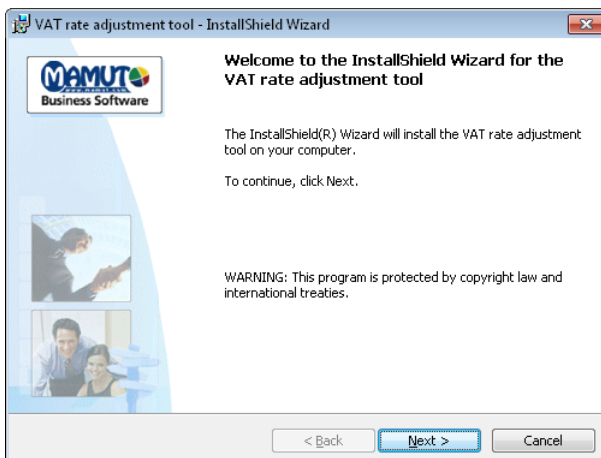
You only need to run the VAT rate adjustment tool once, from a client computer of your choice, or from the server. However, we recommend that all users restart Mamut afterwards. Changes will not take effect until the system has been restarted. Follow the steps below to download and install the VAT rate adjustment tool and update your standard VAT rates. We recommend that you take a backup of your system before you begin this process.

Download and Installation

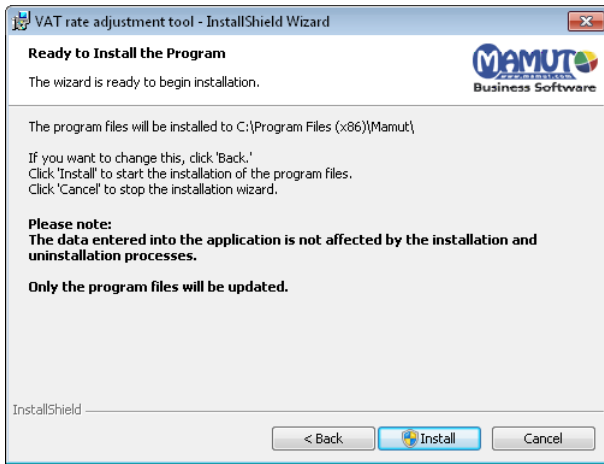
To download and install the VAT rate adjustment tool follow the steps below:

How to install the VAT rate adjustment tool

1. Open Mamut Business Software and go to **File – Database Utilities – Download System files**.
2. In the window that appears select the option **Download files from the internet** and click **Next**.
3. From available updates select **VAT Update Tool 2011** and click **OK**.
4. The InstallShield wizard for the VAT rate adjustment tool will open automatically, click **Next** within this window to continue.

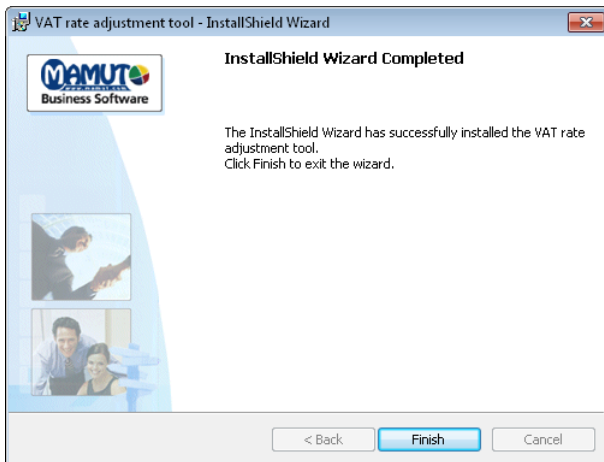


5. Click **Install** to begin the installation process.



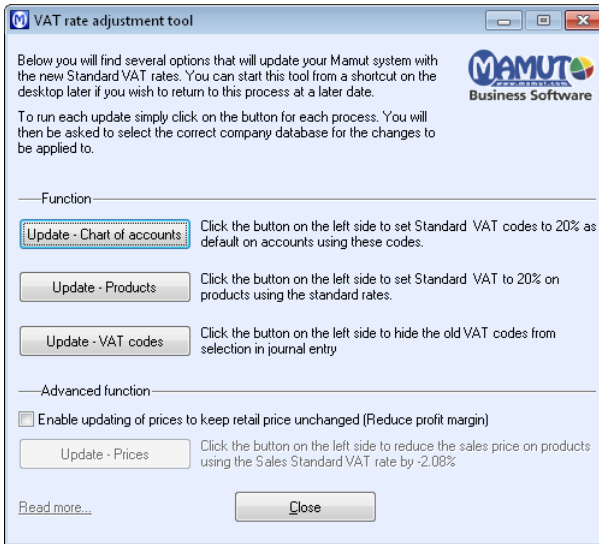
Note! If you are using Windows 7, Vista or Windows Server 2008 you will need administration rights to run this process. In the user account control window that appears, click **Yes** to allow the program to install the software on your computer.

6. Once the installation is complete, click **Finish** to complete the process.



7. The VAT rate adjustment tool will now open automatically. From within this window you can select between several options for updating the standard VAT rates within your system. The standard update functions include **Chart of accounts**, **Products** and **VAT codes**. There is also an advanced function for updating **Prices**. Only select this option if you want the retail price to remain unchanged (reduce profit margin). Read more about these options above.

- Click on the button for the function you wish to update to initiate the update of the standard VAT rates.



- A new window will then appear where you can define the company you wish to apply the update to. Select the company and click **OK**.
- A dialogue box will now appear confirming that the selected update has been completed. Click **OK** to close the window.
- Repeat steps 8-10 for the functions you wish to update.
Note! The advanced option should be run after you have updated the products with the **Update – Products** function, and will reduce your profit margin so that the retail prices remain the same as before the change in VAT rate. Select **Enable updating of prices to keep retail prices unchanged (Reduce profit margin)** to activate this option.
- Once you have updated the desired alternatives, click **Close**.
- Restart your Mamut system to view the updated rates.

 Your Mamut system has now been updated with the new standard VAT rates.



Important! If you need to run this process again at a later point, for instance to update an additional database, simply click on the **VAT rate adjustment tool** icon on your desktop to open the tool and run the update. The tool can also be found within the folder for your Mamut program files:

Windows 7: C:\Program Files (x86)\Mamut\VAT rate adjustment tool.

Windows XP and Windows Vista : C:\Program Files\Mamut\VAT rate adjustment tool.

Updating Orders and Quotes to the new rate

It is important to note that the tool will not update your existing orders and quotes. For this reason we recommend that you invoice all orders within your system before the 4th of January where possible. In addition, even once in January take care that orders delivered or paid for before January are invoiced at the old rate. For all existing orders and quotations within the system after the 4th of January 2011 that still have the old VAT rate on them you will need to manually adjust the VAT so that the new 20% rate is used where applicable. This can be done by manually selecting the 20% rate on each of the product lines on the orders/quotations. To update an order line on a quotation, simply open the quotation and click on the **Regenerate order line** button in the **Product lines** tab.

Sorting of VAT codes

All of the new VAT codes added into your system appear at the bottom of the list of VAT codes, after opening the tool. During the first few days of January, while the old rates are still being used, you may want to change the order they appear in the list. This can be done in the VAT code settings within Mamut Business Software.

How to change the sort order of VAT codes

1. Select **View – Settings – Company – VAT codes**.
2. In the window that opens, the number on the left of the screen shows the basis for how the VAT codes are sorted.
3. If you double click a VAT code, a new window will open where you can see the detailed view for the code and the sorting number. It is here that you are able to simply type in a new sorting number that fits how you would like these codes to appear in the list.

For example, if you click on **1. Sales Standard** you are able to change the VAT code to 60, so that it appears at the end of the list. You could then select the new VAT rate that you wish to be in position 1 and double click it in order to enter the VAT code 1 to move it into the space that is now available.

 *The sort order of the VAT codes has now been changed.*

TIPS TO KEEP IN MIND

If you require more detailed information about the VAT rate change, it is always best to contact your accountant or your local tax office.

Tracking invoices that are updated

It is possible to increase your tracking of invoices in January, to help staff remember to use the correct rate that either applies to December or January. You can activate this setting by going to **Settings – Company – Settings per Module – Sales and Invoicing** and then selecting **Do not transfer before ‘Ready for transfer’ (quotation) or ‘Ready for invoicing’ (order)**. This setting allows you to give an order a second check before it is made into an invoice.

Remember to check supplier invoices for the correct VAT to pay

Not all accounting systems will be updated as swiftly as Mamut! It is therefore important to check your supplier invoices and use the rate shown on their invoice not the one you have in your system. After all, the tax department will expect you to enter the VAT as it is presented on your supplier invoice not as it is by expectation. It is possible to change the VAT rate per order line anytime.


Crediting and correcting

In Mamut, you can create credit notes in the **Order Module** or in **Journal Entry**. In the Order module you will get a printout that you can send to the customer. In addition, a Sales Credit journal is entered into the Nominal Ledger. Using Journal Entry, you can create a SC journal that you manually transfer to the Nominal Ledger.

How to credit via the Sales and Invoicing module (two alternatives)

Alternative 1:

1. Select **View - Sales/Invoicing - Order Registration**.
2. From the **Status** drop-down list, select **Invoice**.
3. Navigate to or **Search** for the invoice you wish to credit.
4. Click **Delete**.
5. Answer **Yes** when asked if you wish to generate a credit note.
6. An unprocessed credit note will be created based upon the original sales invoice. This credit can be edited if desired.
7. Click the **Invoice button** in the toolbar to execute the credit note. If you are informed that the order is **Not ready for invoicing**, go to the **Miscellaneous** tab and place a tick in the **Ready for invoicing** check box.
8. Choose **Credit note** as the report format and then select **Send to Printer**.
9. Click **OK**.
10. Check the test print and close the preview by clicking **Close Preview**.
11. The Updating Warehouse window is presented. If all the products shall be returned into the stock levels, click **Close**.
12. Answer **Yes** to execute the order. The credit note will be entered into the ledgers.
13. If the print completes successfully, answer **Yes** to approve the print.

 *You have now successfully created the credit note which has been approved and entered into the ledgers.*

Alternative 2:


1. Select **View - Sales/Invoicing - Order Registration**.
2. From the **Status** drop-down list select **Unissued credit note**.
3. Click **New**.
4. Choose the appropriate customer from the list and click **OK**.
5. In the next window you will get the opportunity to link against an existing invoice, either by selecting it from the list, or by writing the invoice number directly into the **Invoice no.** field.
6. Click **OK**.
7. Choose the **Product Lines** tab.
8. Click **Show Product List**.
9. Choose the product you wish to credit and click **Insert**.
10. In the field for **Quantity**, enter how many should be credited. Ensure that the number is written in as a negative value, i.e. with a minus sign.
11. Click the **Invoice** button.
12. Choose the **Credit note** format and **Send to Printer**.
13. Click **OK**.
14. Check the test print and **Close** the preview by clicking **Close Preview**.
15. The Update of Warehouse window is now presented. If all the products shall be returned into the stock levels, click **Close**.
16. Answer **Yes** to execute the order. The credit note will be entered into the ledgers.
17. If the print completes successfully, answer **Yes** to approve the print.

You have now successfully created the credit note which has been approved and entered into the ledgers.

How to credit via Journal Entry:

1. Choose **View - Accounting - Journal Entry**.
2. From the **Journal Type** drop-down list select **Sales Credit Note**.
3. Input account **1100** (Customer Ledger) in the account field and choose the customer that should be credited.
4. Next, choose the invoice that shall be credited and complete the journal registration.

You have now successfully created the sales credit note which has been approved and entered into the ledgers.

 **Note!** By crediting via the Sales and Invoicing module, you will get both a printout of the credit note and the transaction will be entered as a SC-journal in the Nominal Ledger. Only the account is updated, not the Sales and Invoicing module, when the credit is entered via Journal Entry.

Who pays for the change in cost?

Increased retail prices (default)


After updating the products, the gross price for the products that have received new VAT rates will be changed. Generally, this will result in a change in the products sales price due to the corresponding tax increase.

 **Note!** This only applies to the products that are sold with the standard VAT rates.

Unchanged retail prices (reduced profit)

If you do not want the increase in VAT to increase your retail prices, you should use the **Update – prices** function to reset the affected prices. This option should be run after having updated the products with the **Update – Products** function, and will reduce your profit margin so that the retail prices remain the same as before the change in VAT rate. Select **Enable updating of prices to keep retail prices unchanged (Reduce profit margin)** to activate this option.

Please be aware that this will update all of your products with the Sales Standard VAT rate, and as this could be a significant change to the prices in your system we strongly recommend that you take a backup of the system before running this option.

 **Note!** This does not update product prices on existing orders/quotations. This will need to be done manually.

Rounding example after price adjustments

Previous net price: £100.00

Previous retail price incl. VAT: £117.50

New price incl VAT: £120.00

Net price converted in Price adjustment: $100.00 - 2.08\% = £97.92$

Retail price incl 20% VAT: (net 97.92): £117.50

The **Rounding rule for changed prices** in the **Price adjustment** wizard, will round off the net price (excl. VAT).

Update your Webshop

If you use the webshop within Mamut Business Software, it is important to do a full update after using the Standard VAT rate update tool.

How to do a full update of the webshop

1. Select **View - E Commerce - Update Website**
2. Click **Next**.
3. Select which site you wish to update
4. Select **Full Update**.
5. Click **Update**.



You have now executed a full update of your website.
