

## **KFS Training Tip 10: How is VAT handled on the General Ledger (GL) E-docs?**

- KFS will automatically **calculate** VAT on the following **GL** E-doc transactions per accounting line. You as user must establish if the transactions meets the requirements to pay or claim VAT:
  - DI – Distribution of Income and Expense
  - YEDI – Year End Distribution of Income and Expense
  - GEC – General Error Correction
  - YEGE – Year End General Error Correction
  - RJV – Journal Voucher
- The GL E-docs test for the following requirements (It does not test for the Vendor):

<b>Account Vatable?</b>	<b>Object Vatable?</b>	<b>Automatic KFS VAT calculation:</b>
YES	YES	YES
NO	NO	NO
YES	NO	NO
NO	YES	NO

- GL E-docs only check the Account and Object if VAT should be calculated – it does not check if the **Vendor is registered for VAT or not**. Therefore you need to check this “manually”. Refer to the original transaction in the Detail Report (GLBI002). The Calculate VAT tick must be adjusted accordingly to the Vendor’s VAT status. If not registered, VAT should not be calculated, if registered VAT should be calculated.
- The “Calculate VAT” tick on accounting lines can be used to cancel the VAT calculation in certain types of transactions. The FIN Approvers (refer to the route log in the E-doc) have the access to change the calculation from YES to NO. It is the responsibility of the initiators, fiscal officers and FIN Approvers to ensure the VAT is handled correctly on all the GL E-docs. The initiators and fiscal officers should add a note for the FIN Approver’s attention on which lines VAT should NOT be calculated as well as the reason. This note can be added in the “Notes & attachments” tab or in the “Explanation” field at the top of the E-doc, or in both.
- **Please note:** If either the Account or the Object in a transaction line is not vatable (exempt) – the system will not calculate VAT. In such instances, it is NOT necessary to change the VAT tick to NO. It **must** remain YES – the system will not calculate VAT, VAT will only be calculated if both the Account and Object are vatable.

- Account & Object: Where do I see if it is vatable or not?
  - When you click on the underlined Account or Object number, more information (including the VAT status) will be displayed.

* Chart	* Account	Sub-Account	* Object
NW NORTH-WEST UNIVERSITY	<u>1A00627</u> (7700) OFFICE ADMINISTRATION - SUBSIDY		<u>2152</u> D~SECURITY SERVICES

<b>Chart Code:</b>	<u>NW - NORTH-WEST UNIVERSITY</u>
<b>Account Number:</b>	1A00627
<b>Account Name:</b>	(7700) OFFICE ADMINISTRATION - SUBSIDY
<b>Organization Code and Description:</b>	<u>7700-NWU FACULTY</u>
<b>Campus Code:</b>	<u>NW - NORTH-WEST UNIVERSITY</u>
<b>Account Effective Date:</b>	01/01/2018
<b>Account Expiration Date:</b>	
<b>Account Postal Code:</b>	<u>2531</u>
<b>Account City Name:</b>	POTCHEFSTROOM
<b>Account State Code:</b>	<u>NW</u>
<b>Account Street Address:</b>	53 BORCHERD STREET
<b>Account Off Campus Indicator:</b>	No
<b>Closed?:</b>	No
<b>Account Type Code:</b>	<u>A - OFFICE ADMINISTRATION (SOF 1)</u>
<b>SubFund Group Code:</b>	<u>DSACA - DESIGNATED: ACADEMIC ACTIVITIES</u>
<b>Account Fringe Benefit:</b>	Yes
<b>Fringe Benefit Chart Of Accounts Code:</b>	
<b>Fringe Benefit Account Number:</b>	
<b>Higher Ed Function Code:</b>	<u>1.1 - FORMAL INSTRUCTION</u>
<b>Account Restricted Status Code:</b>	<u>U - UNRESTRICTED</u>
<b>Account Restricted Status Date:</b>	
<b>Endowment Chart of Accounts Code:</b>	
<b>Endowment Account Number:</b>	
<b>VAT Recovery Rate:</b>	<u>Apportionment - 12.5 %</u>
<b>Account Contribution:</b>	<u>0% CONTRIBUTION - 0 %</u>
<b>Internal Interest:</b>	No
<b>Account Group:</b>	<u>51460</u>
<b>Source Of Funds Code:</b>	<u>1</u>
<b>Management Accounting Services:</b>	No

<b>Fiscal Year:</b>	<u>2019</u>
<b>Chart Code:</b>	<u>NW *.* NORTH-WEST UNIVERSITY</u>
<b>Object Code:</b>	<u>2152</u>
<b>Object Code Name:</b>	D~SECURITY SERVICES
<b>Object Code Short Name:</b>	SECURITY SER
<b>Reports to Chart Code:</b>	<u>UN *.* UNIVERSITY</u>
<b>Reports To Object Code:</b>	<u>2152 *.* D~SECURITY SERVICES</u>
<b>Object Type Code:</b>	<u>EX *.* EXPENSE EXPENDITURE</u>
<b>Level Code:</b>	<u>132</u>
<b>Object Sub-Type Code:</b>	<u>SO *.* SERVICES OUTSOURCED</u>
<b>Historical Financial Object Code:</b>	
<b>Active Indicator:</b>	Yes
<b>Budget Aggregation Code:</b>	<u>O *.* OBJECT</u>
<b>Mandatory Transfer Or Eliminations Code:</b>	<u>N *.* NEITHER</u>
<b>Federal Funded Code:</b>	<u>N *.* NOT FEDERALLY FUNDED</u>
<b>Next Year Object Code:</b>	
<b>Vat Income Rate:</b>	Standard - 15 %
<b>Vatable:</b>	Yes
<b>Vat Classification Type:</b>	<u>Input - Standard</u>

- **Please note:** VAT transactions have separate transaction lines in the General Ledger – refer to the NWU GL Object Detail Report (GLBI002) example below.  
The VAT inclusive amount in one line: 125.58  
The VAT in another line: -2.05  
Resulting in the “net” amount: 123.53

Object: 2752 - D-PACKAGING MATERIAL PURCHASES		Object Type: EX		VAT: Standard -15.0%	
Balance Till 01-01-2018					0.00
NW.1A00734.2752		04-06-2018	04-06-2018	<VATR-3> Stores Charge Order - 4988803	-2.05
NW.1A00734.2752		04-06-2018	04-06-2018	Stores Charge Order - 4988803	125.58
Total for Object: 2752 - D-PACKAGING MATERIAL PURCHASES					123.53

- In this training tip we will focus on explaining the VAT on the GEC. You now have to do a GEC to move the transaction to the correct object.

**For example:**

Accounting Lines									
From									
	* Chart	* Account	Sub-Account	* Object	Sub-Object	Project	Org Ref Id	* Amount	Actions
1	NW NORTH-WEST UNIVERSITY	1A00734 (8400) OFFICE ADMINISTRATION - SUBSIDY		2752 D--PACKAGING MATERIAL PURCHASES				125.58	
	* Reference Origin Code	* Reference Number	* Line Description		* Calculate VAT				
	01	4989034	Stores Charge Order - 4988803		Yes				
								<b>Total: 125.58</b>	delete bal inquiry refresh
To									
	* Chart	* Account	Sub-Account	* Object	Sub-Object	Project	Org Ref Id	* Amount	Actions
1	NW NORTH-WEST UNIVERSITY	1A00734 (8400) OFFICE ADMINISTRATION - SUBSIDY		2701 D--CLEANING MATERIALS				125.58	
	* Reference Origin Code	* Reference Number	* Line Description		* Calculate VAT				
	01	4989034	Stores Charge Order - 4988803		Yes				
								<b>Total: 125.58</b>	delete bal inquiry refresh

- **Please note:** The transaction was posted incorrectly on 1A00734.2752 for the amount of **R125.58** and should have been against object 2701. You need to do the correction with the inclusive amount: **R125.58** and NOT the balance **R123.53** (**R125.58 – R2.05 = R123.53**). You do not need to move the R2.05. KFS will automatically handle the VAT part of the transaction.
- The VAT tick should be YES in this example so that KFS can also move the -R2.05. If the VAT is changed from YES to NO, the -R2.05 will remain in object 2752, which is not correct.
- Refer to the pending entries on the next page. The **R125.58** credit on 1A00734.2752, is the line you have entered. KFS automatically add the debit VAT line of **R2.05** against 1A00734.2752 as well as the **R2.05** credit line against the central VAT account 1GQ... (depending on the chart). Then KFS also automatically adds the offset lines (object 7991) – you can ignore this.
- To check the transaction in the General Ledger Pending Entries, you first have to save the document.
- **ALWAYS** check the pending entries to ensure the transaction is correct, before you submit or approve the document.

- General Ledger Pending Entries:

General Ledger Pending Entries													
Seq #	Fiscal Year	Chart	Account	Sub-Account	Object	Sub-Object	Project	Doc Type	Balance Type	Obj. Type	Amount	D/C	
1	2018	NW	1A00734	-----	2752	---	-----	GEC	AC	EX	125.58	C	
2	2018	NW	1A00734	-----	2752	---	-----	GEC	AC	EX	2.05	D	
3	2018	NW	1A00734	-----	7991	---	-----	GEC	AC	AS	2.05	C	
4	2018	NW	1A00734	-----	7991	---	-----	GEC	AC	AS	125.58	D	
5	2018	NW	1GQ0101	-----	7651	---	-----	GEC	AC	AS	2.05	C	
6	2018	NW	1GQ0101	-----	7991	---	-----	GEC	AC	AS	2.05	D	
7	2018	NW	1A00734	-----	2701	---	-----	GEC	AC	EX	125.58	D	
8	2018	NW	1A00734	-----	2701	---	-----	GEC	AC	EX	2.05	C	
9	2018	NW	1A00734	-----	7991	---	-----	GEC	AC	AS	2.05	D	
10	2018	NW	1A00734	-----	7991	---	-----	GEC	AC	AS	125.58	C	
11	2018	NW	1GQ0101	-----	7651	---	-----	GEC	AC	AS	2.05	D	
12	2018	NW	1GQ0101	-----	7991	---	-----	GEC	AC	AS	2.05	C	

For example: How the GEC will reflect on the GL after the correction has taken place:

NW.1A00734.2701			30-06-2018	27-06-2018	<VATI-0> 01-4989034: STORES CHARGE ORDER - 4988803		01	5040108	GEC			125.58	
NW.1A00734.2701			30-06-2018	27-06-2018	<VATR-49> 01-4989034: STORES CHARGE ORDER - 4988803		01	5040108	GEC			-2.05	
<b>Total for Object: 2701 - D~CLEANING MATERIALS</b>												<b>249.74</b>	
<b>Object: 2752 - D~PACKAGING MATERIAL PURCHASES</b>										<b>Object Type: EX</b>		<b>VAT: Standard - 15.0%</b>	
<b>Balance Till 01-01-2018</b>													<b>0.00</b>
NW.1A00734.2752			04-06-2018	04-06-2018	<VATR-3> Stores Charge Order - 4988803		01	4989034	SPKV			-2.05	
NW.1A00734.2752			04-06-2018	04-06-2018	Stores Charge Order - 4988803		01	4989034	SPKV			125.58	
NW.1A00734.2752			30-06-2018	27-06-2018	<VATI-0> 01-4989034: STORES CHARGE ORDER - 4988803		01	5040108	GEC			-125.58	
NW.1A00734.2752			30-06-2018	27-06-2018	<VATR-11> 01-4989034: STORES CHARGE ORDER - 4988803		01	5040108	GEC			2.05	
<b>Total for Object: 2752 - D~PACKAGING MATERIAL PURCHASES</b>												<b>0.00</b>	

- Examples of transactions and the VAT handling thereof:

<u>No</u>	<u>Transaction Type</u>	<u>KFS E-doc</u>	<u>Check for</u>	<u>Calculate VAT: YES or NO</u>	<u>Net amount or inclusive?</u>
1	<b>Close an Account</b> <i>The doc type to be used depend on the object type – refer to “Closing of Accounts” manual.</i>	DI	<b>Net amounts per object as per GLBI004 (Summary Report).</b> Net amount = Inclusive amount less VAT. VAT was handled in the original transaction and only the net of the transaction are now moved.	FROM – NO TO – NO	Net amount
2	<b>Skills development</b> <i>People &amp; Culture transfer funds to a department for training of staff.</i>	DI	<b>Skills Development Funds.</b> This is an internal transaction – therefor NO VAT. The Account from where P&C transfer the skills funds is exempt therefor no VAT will be calculated. TO Field will always be NW.1G01541(Staff training Account)	FROM – NO TO – YES	Amount from People and Culture
3	<b>Distribute an expense</b> <i>Account A pays a SLA (Service-level agreement) to Nashua on a monthly basis, but Account B also use the same copier and must contribute to the cost of Account A</i>	DI	<b>For example:</b> Account 1A000XX (VAT 12.50%) Object 2252 (VAT 15%) Account 3B00XXX (VAT 100%) Object 2252 (VAT 15%) Vendor (Registered for VAT)  <b>Account A YES → Vendor YES → Account B YES</b>	FROM – YES TO – YES	Inclusive amount (Total Amount including VAT)
4	<b>Incorrect object was used</b> <i>Payment for membership fees to a non-VAT vendor was posted against Professional fees (2056) instead of Membership fees (2055)</i>	GEC	<b>For example:</b> Account 1A000XX (VAT 12.50%) Object 2056 (VAT 15%) Vendor (Not registered for VAT) Object 2055 (VAT 15%)  <b>Object YES → Vendor NO → Object YES</b>	FROM – NO TO – NO	Inclusive Amount (Total Amount including VAT)

5	<p><b>Incorrect object was used</b>  <i>Payment for the printing of study guides to a non-VAT vendor was posted against Course Material (2257) instead of Printing (2254)</i></p>	GEC	<p><b>For example:</b>  Account 1A000XX (VAT 12.50%)  Object 2257 (VAT 0%)  Vendor (Not registered for VAT)  Object 2254 (VAT 15%)</p> <p><b>Object NO → Vendor NO → Object YES</b></p>	FROM – YES TO – NO	Inclusive amount (Total Amount including VAT)
6	<p><b>Incorrect object was used</b>  <i>Refreshments (2852) ordered from the Stores was incorrectly allocated to Packaging Materials (2752)</i></p>	GEC	<p><b>For example:</b>  Account 3B00XXX (VAT100%)  Object 2752 (VAT 15%)  Object 2852 (VAT 0%)</p> <p><b>Object YES → Object NO</b></p>	FROM – YES TO – YES	Inclusive amount (Total Amount including VAT)
7	<p><b>Incorrect object was used</b>  <i>Payment for a flight ticket to a VAT vendor was posted against Air Travel (Non RSA – International ) (2552) instead of Air Travel (RSA Only) (2551)</i></p>	GEC	<p><b>For example:</b>  Account 3B00XXX (VAT 100%)  Object 2552 (VAT 0%)  Object 2551 (VAT15%)  Vendor (Registered for VAT)</p> <p><b>Object NO → Vendor YES → Object YES</b></p>	FROM – YES TO – YES	Inclusive amount (Total Amount including VAT)
8	<p><b>Incorrect Account was used</b>  <i>Stationery purchased from Walton's was posted to the incorrect account.</i></p>	GEC	<p><b>For example:</b>  Account 1A000XX (VAT 12.50%)  Object 2251 (VAT 15%)  Vendor (Registered for VAT)  Account 1A00YYY (VAT 12.50%)  Object 2251 (VAT 15%)</p> <p><b>Account YES &amp; Object YES → Vendor YES → Account YES &amp; Object YES</b></p>	FROM – YES TO – YES	Inclusive amount (Total Amount including VAT)

9	<p><b>Incorrect Account was used</b>  <i>Membership fees (2055) were incorrectly paid from an account and must be moved to the correct account.</i></p>	GEC	<p><b>For example:</b>  Account 1A00YYX (VAT 0%)  Object 2055 (VAT 15%)  Vendor (Registered for VAT)  Account 3B0XYXY (VAT 100%)  Object 2055 (VAT 15%)  <b>Account NO &amp; Object YES → Vendor YES → Account YES &amp; Object YES</b></p>	FROM – YES TO – YES	Inclusive amount (Total Amount including VAT)
10	<p><b>Credit Card transactions</b>  <i>The director used his credit card to order a book from England.</i></p>	RJV	<p><b>For example:</b>  Account 1A00YYX (VAT 12.5%)  Object 3451 (VAT 15%)  Foreign Vendor - Is NOT registered for VAT  Credit leg will always be NW.1G01989.7757 (both account &amp; object VAT 0%)  <b>Foreign transaction NO VAT &amp; Object YES</b></p>	DEBIT – NO CREDIT – YES	Inclusive amount (Total amount including VAT)
11	<p><b>Credit Card transactions</b>  a) <i>The director used his credit card to pay for a flight ticket to a conference; or</i>  b) <i>He bought snacks for a meeting from a non-VAT vendor.</i></p>	RJV	<p><b>For example:</b>  Account 1A00YYX (VAT 12.5%)  Object 2552 (VAT 0%)  Account 1A00YYX (VAT 12.5%)  Object 2851 (VAT 0%)  Vendor (Not registered for VAT)  Credit leg will always be NW.1G01989.7757 (both account &amp; object VAT 0%)  <b>Vendor NO &amp; Object NO</b></p>	DEBIT – YES CREDIT – YES	Inclusive amount (Total Amount including VAT)
12	<p><b>Credit Card transactions</b>  <i>The director bought books with his credit card.</i></p>	RJV	<p><b>For example:</b>  Account 1A00YYX (VAT 12.5%)  Object 3451 (VAT 15%)  Vendor (Registered for VAT)  Credit leg will always be NW.1G01989.7757 (both account &amp; object VAT 0%)  <b>Vendor YES &amp; Object YES</b></p>	DEBIT – YES CREDIT – YES	Inclusive amount (Total Amount including VAT)

13	<b>Clearing of object 6003</b> <b>(6003 = exempt)</b> <i>Staff member pays for printing cost.</i>	RJV	<b>For example:</b> Account 1A00YYX (VAT 12.5%) Object 2251 (VAT 15%) Vendor (Registered for VAT)  <b>Vendor YES &amp; Object YES</b>	DEBIT – YES CREDIT – YES	Total amount received
14	<b>Clearing of object 6003</b> <b>(6003 = exempt)</b> <i>Non-VAT Guest House refunds the NWU for one night's accommodation</i>	RJV	<b>For example:</b> Account 1A00YYX (VAT 12.5%) Object 2554 (VAT 15%) Vendor (Not VAT Registered)  <b>Vendor NO &amp; Object YES</b>	DEBIT – YES CREDIT – NO	Total amount received
15	<b>Clearing of object 6004</b> <b>(6004 = vatable)</b>	RJV	The VAT will always be YES on the debit and credit legs of this journal – as you have created a Tax Invoice for recovering of operating cost and the original transaction would have had VAT on.	DEBIT – YES CREDIT – YES	Inclusive amount (Total Amount including VAT)
16	<b>Staff Development Fund</b> <i>(F-Account is Exempt)</i> <i>Payment from one department to another for services rendered. The funds is payed from a Vatable Account (object 2056)</i>	RJV	<b>Internal transaction therefor NO VAT is applicable</b> <b>For example:</b> Account 3B00ZZZ (VAT 100%) Object 2056 (VAT 15%) Account 3F00XXX (VAT 0%) Object 5613 (VAT 0%)  <b>Account YES → Object YES → Account NO → Object NO</b>	DEBIT – NO CREDIT – YES	Amount for service rendered



## Quick guide

Look at your Account:

- If VAT is 0% and you move transaction between objects on the same account – VAT will always be YES at both the FROM and TO accounting lines
- If VAT is 12.5%, 50% or 100% you should look at the actual transaction that you need to correct:
  - If VAT was calculated on the transaction – VAT will be YES on both the FROM and TO accounting lines
  - IF NO VAT was calculated you need to identify why not
    - Object 0% VAT and VENDOR is registered for VAT
      - FROM and the TO accounting lines will be YES if move to another 0% VAT Account and/or 0% VAT Object
      - FROM and the TO accounting lines will be YES if move to 12.5%, 50% or 100% VAT Account and/or VAT Object
    - Object 0% VAT and VENDOR is NOT registered for VAT
      - FROM and the TO accounting lines will be YES if move to another 0% VAT Account and/or 0% VAT Object
      - FROM field will be YES and TO field will be NO if move to 12.5%, 50% or 100% VAT Account and/or VAT Object
    - Object 15% VAT but VENDOR is NOT register for VAT – FROM and TO accounting lines will be NO
    - Internal transaction e.g. SB – VAT will be NO on the FROM and TO accounting lines
- VAT on certain transactions are never applicable – SB (Service billings), Skills Development funding and Staff development funds
- Closing of Accounts – the VAT ticks must always be NO
- Capturing of Credit Card slips
  - If the Account is 0% VAT – VAT will be YES on Debit transactions
  - If the Account is 12.5%, 50% or 100% – you must look at each slip and determine if the VAT may be claimed if YES Debit transaction will be YES. If VAT may not be claimed the Debit transaction must be NO.
- Object 6003 / 6004 / 6005
  - If the Account is 0% VAT – VAT will be YES on Credit transactions
  - If the Account is 12.5%, 50% or 100% – you must look at the expense transaction which is being recovered, If VAT was claimed on the original expense transaction the credit leg must be YES on your journal. If No VAT was claimed the credit leg must be NO.

**Remember – The VAT indicator must always be YES on a GL E-doc – you only change it if the transaction must not calculate VAT and you can motivate why the VAT must not be calculated.**

If you are not sure if you may claim VAT on a transaction please contact Tanja Badenhorst.