



**Opera 3 (2.22)
Opera II (7.42)**

Guide to Prompt Payment Discount



Guide to Prompt Payment Discount using:

Opera 3 (2.22)
Opera II (7.42).

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Manual published by:

Pegasus Software
Orion House
Orion Way
Kettering
Northamptonshire
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Who is this guide for?

This guide is to help you understand how to manage the new rules for prompt payment discount from 1 April 2015.

Prompt payment discounts; HMRC is changing the rules

From 1 April 2015, when processing an invoice, VAT will be calculated on the goods value before any prompt payment discount is applied. This change will affect any business that either receives or gives prompt payment discount for prompt payment of an invoice.

When the legislation change becomes effective, HMRC must receive the full value of VAT on an invoice if the settlement discount is offered but not taken. Any unbilled sales orders posted before 1 April 2015 require billing from that date under the new rules.

Using credit notes to adjust the VAT Return

If the prompt payment discount is taken an accounting adjustment will need to be made to post the discount and to adjust both the goods and VAT values on the VAT Return.

In Opera 3 and Opera II this must be done by a credit note posting.

Updated Opera 3 & Opera II versions

If you offer or receive prompt payment discounts terms, you must upgrade before 1 April 2015. You must also run **Update Data Structures** after upgrading your software.

These are the updated versions:

- Opera 3 (2.22)
- Opera II (7.42).

Note: In Opera prompt payment discount is referred to as settlement discount.

Before 1 April 2015: things to consider

You may want to consider these points before 1 April 2015 to smooth the transition to the new prompt payment discount rules.

For customers

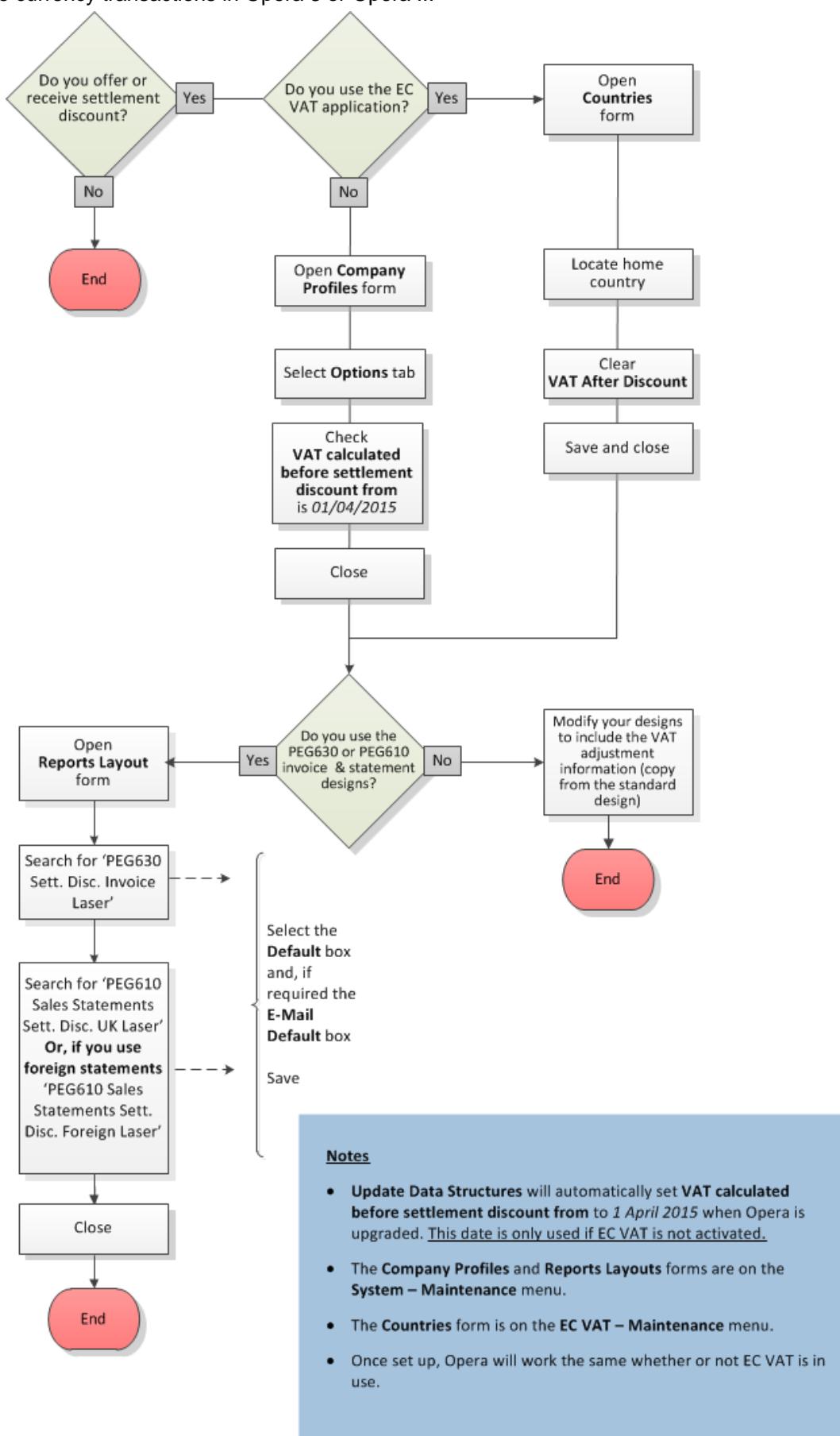
		<input checked="" type="checkbox"/>
1.	Invoices that offer prompt payment discount dated before 1 April 2015 must be processed under the old rules. Any receipts received that do take advantage of the discount will not require accounting for under the new rules. You may then want to consider billing all relevant outstanding quotes, orders etc because after 1 April 2015 they must be billed using the new prompt payment discount rules. Also, if you change quotes, orders etc, on or after 1 April 2015, the VAT will be recalculated using the new rules so will not be the same as the original value.	<input type="checkbox"/>
2.	Credit notes in SOP/Invoicing can now be emailed. Consider whether you want to update customers who are offered prompt payment discount to receive credit notes via email. If you do, update the customer's record on the Sales – Processing – Terms form. Credit notes must be posted to adjust the VAT Return if prompt payment discount is taken.	<input type="checkbox"/>
3.	If possible, ensure any required credit notes for invoices with prompt payment discount raised under the old rules are posted before 1 April 2015. Otherwise the credit note will be processed using the new rules and you'll need to post a VAT-only invoice to adjust the VAT. If you post the credit note in SOP/Invoicing you will also have documentary evidence. If you post it in the Sales Ledger you will need to provide documentary evidence in another way.	<input type="checkbox"/>
4.	Ensure that any invoices printed before 1 April 2015 do not include references to the new prompt payment discount rules. Any invoices posted before 1 April 2015 that are reprinted after that date will be printed with VAT values as they were originally calculated.	<input type="checkbox"/>

For suppliers

		<input checked="" type="checkbox"/>
1.	Consider whether prompt payment discount should be taken for invoices using the Authorise Cheques or Authorise BACS commands before 1 April 2015. This will allow the discount to be taken under the old rules. Important: The Authorise Cheques and Authorise BACS commands will not be available for discount processing under the new rules.	<input type="checkbox"/>
2.	Try to resolve any supplier disputes involving invoices posted before 1 April 2015 and post necessary credit notes.	<input type="checkbox"/>
3.	If you use the Purchase Invoice Register and there are invoices in the PIR that have yet to be posted to the Purchase Ledger, process those invoices to update the Purchase Ledger before 1 April 2015.	<input type="checkbox"/>

On 1 April 2015: setting up Opera for the new ruling

Follow this chart on 1 April 2015 so that VAT is calculated before prompt payment discounts for home currency transactions in Opera 3 or Opera II.



How prompt payment discounts affect the Sales Ledger, Invoicing & SOP, and Purchase Ledger from 1 April 2015

Sales Ledger, Invoicing & SOP

If you offer prompt payment discounts to your customers, the invoices generated should be printed using the new PEG630 prompt payment discounts invoice design (SQININSD). This design will highlight to the recipient of the invoice the amount of VAT that is required to be adjusted if full payment of the invoice is made by the stated dates.

If a customer takes up the offer of prompt payment discount, the VAT liability as well as the discount value of the goods or services will need to be accounted for. In Opera 3 and Opera II this must be done by raising a credit note.

Raising the transaction through the Sales Order Processing or Invoicing applications will mean that documentary evidence of the prompt payment discounts credit is automatically created. It is your responsibility to provide HMRC with documentary evidence of a prompt payment discounts adjustment, if required to do so in a VAT audit.

You will need to consider how you want to treat the sales analysis of the credit note posting, either posting to a Discounts Allowed Profit and Loss Account or the Sales Profit and Loss Account used on the original invoice line.

When the receipt is banked, the invoice and credit note can be allocated against the receipt to close down the transaction.

When sending statements to your customers, you should use the new statement design (PEG610) that will display details of the second reference of the credit note, so this could be used to identify the invoice that the credit note relates to.

Note: See **page 8** for a flowchart that illustrates the advised method of how sales transactions that include settlement terms should be processed after 1 April 2015.

Purchase Ledger

HMRC has not mandated the need to issue a credit note to deal with the prompt payment discounts adjustment although in Opera 3 and Opera II a credit note must be used to account for the VAT liability as well as the discount value of the goods or services.

It will be necessary for the purchase ledger clerk to have an understanding of whether the supplier is expected to confirm the VAT Adjustment required via a credit note. This may cause operative issues as the user may wish to pay the invoice to take advantage of the prompt payment discounts offered but is not aware of the VAT adjustment required. They will have to gain confirmation of the adjustment required and the supplier reference before raising the credit note in order to allocate and close down the transaction.

Notes:

1. You cannot use the **Authorise Cheques** and **Authorise BACS** commands for invoices where prompt payment discount can be taken. These invoices will be marked with an * to indicate that they must be paid using manual payments in the Purchase Ledger.

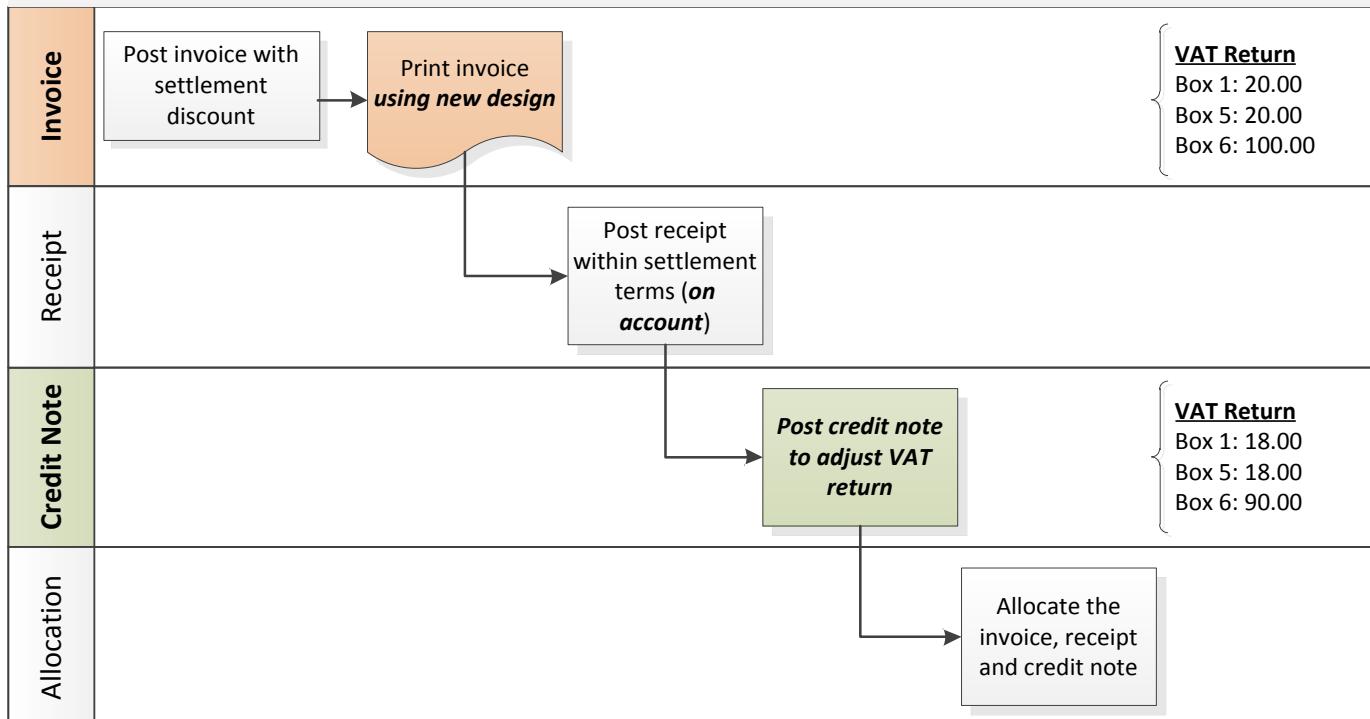
You can still use the **Suggested Payments Report** to view the invoices where prompt payment discount is offered.

2. See **page 9** for a flowchart that illustrates the advised method of how purchase transactions that include settlement terms should be processed after 1 April 2015 if the supplier issues a credit note.

3. See **page 10** for a flowchart that illustrates the advised method of how purchase transactions that include settlement terms should be processed after 1 April 2015 if a supplier does not issue a credit note.

Example 1: Advised method if customer takes settlement discount

- On the 1 April 2015 your customer buys goods for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days) and is printed **using the new PEG630 invoice design**.
- The invoice is paid 25 days later (attracts 10% discount).
- The receipt of £108 (£90 goods + £18 VAT) is posted on account.
- A credit note is posted in SOP/Invoicing (£10 goods + £2 VAT).**
- The invoice is allocated to the receipt and credit note.
- The statement is sent out at the end of the month **using the new PEG610 design**.



Invoice

- You offer settlement terms.
- The VAT calculated for the invoice ignores the discount.**
- The new invoice design SQININSD shows VAT adjustment information (if settlement discount is offered). This prints on the PEG630 stationery design.**

Tip: If you don't use the PEG630 stationery, include the words on your invoice design.

Receipt

- The customer pays early to take settlement discount.
- The VAT paid is reduced.
- The reduced VAT is noted on the **new standard invoice design PEG630**.

Credit Note

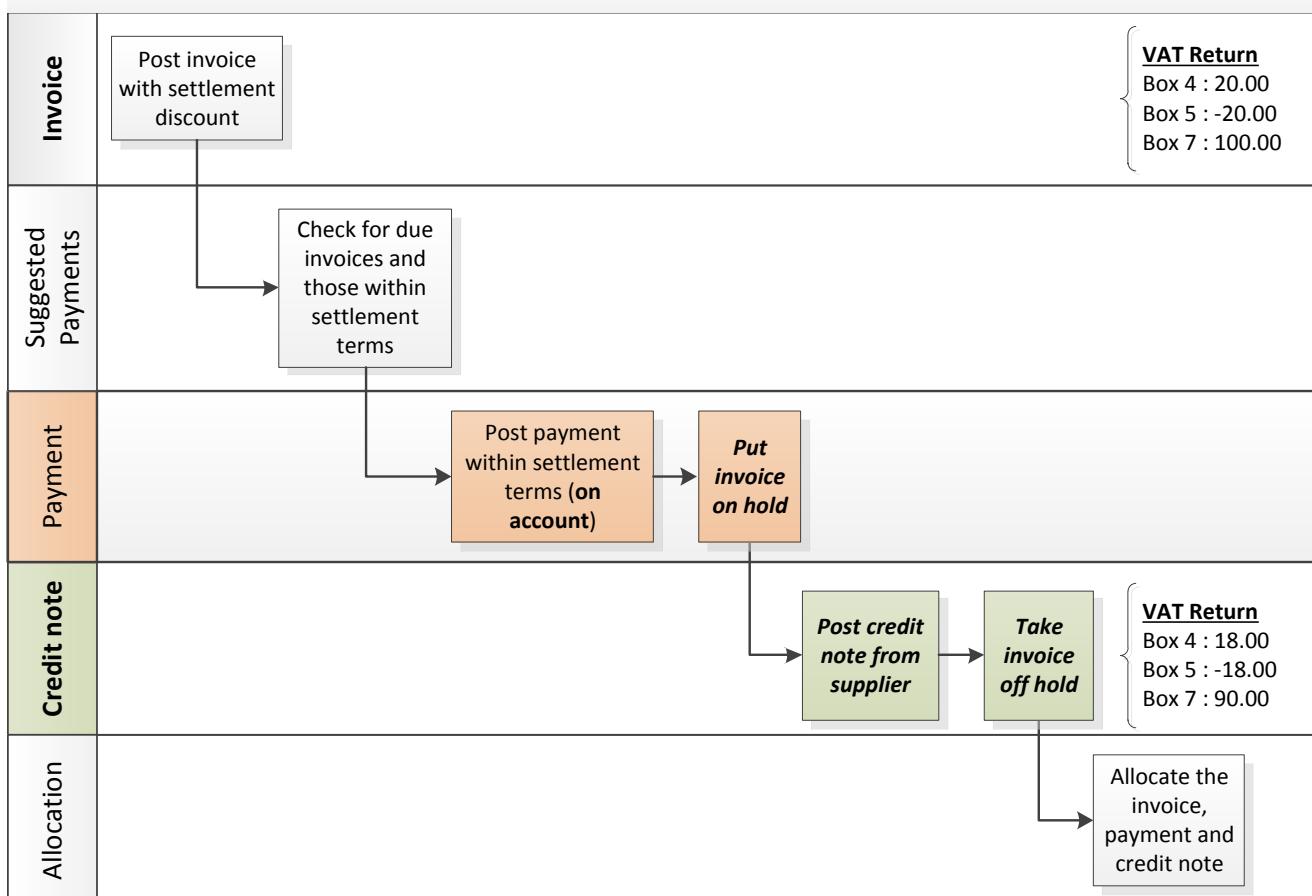
- Is posted for the discount, and VAT saving to adjust the VAT Return**
- The 2nd ref (Sales Ledger) or customer ref (SOP) can be used to record the settlement discount reference (along with the relevant invoice number)**
- An analysis code set up for discounts could be used to analyse the credit.**
- It can be emailed to the customer using the new facility to email credit notes.**

Notes

- The new statement design (PEG610 Sales Statements Sett. Disc. UK Laser or PEG610 Sales Statements Sett. Disc. Foreign Laser) also includes the settlement discount reference.**
- The drill down to the allocation view is not available on the 'zoom' function after the allocation if receipts are posted on account.

Example 2: Advised method if supplier offers settlement discount and issues credit note

- On the 1 April 2015 you buy goods from your supplier for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days).
- 25 days later you check which invoices need paying using the **Suggested Payments Report**.
- You pay the invoice after 25 days (attracts 10% discount) using the **Processing - Payments** command .
- The payment of £108 (£90 goods + £18 VAT) is posted on account, and the invoice is put on hold.
- Supplier issues an adjusting credit note, which is posted (£10 goods + £2 VAT).**
- The invoice is taken off hold, and it is allocated to the payment and credit note.



Invoice

- Supplier offers settlement terms.*
- The VAT calculated for the invoice ignores the discount.*

Payment

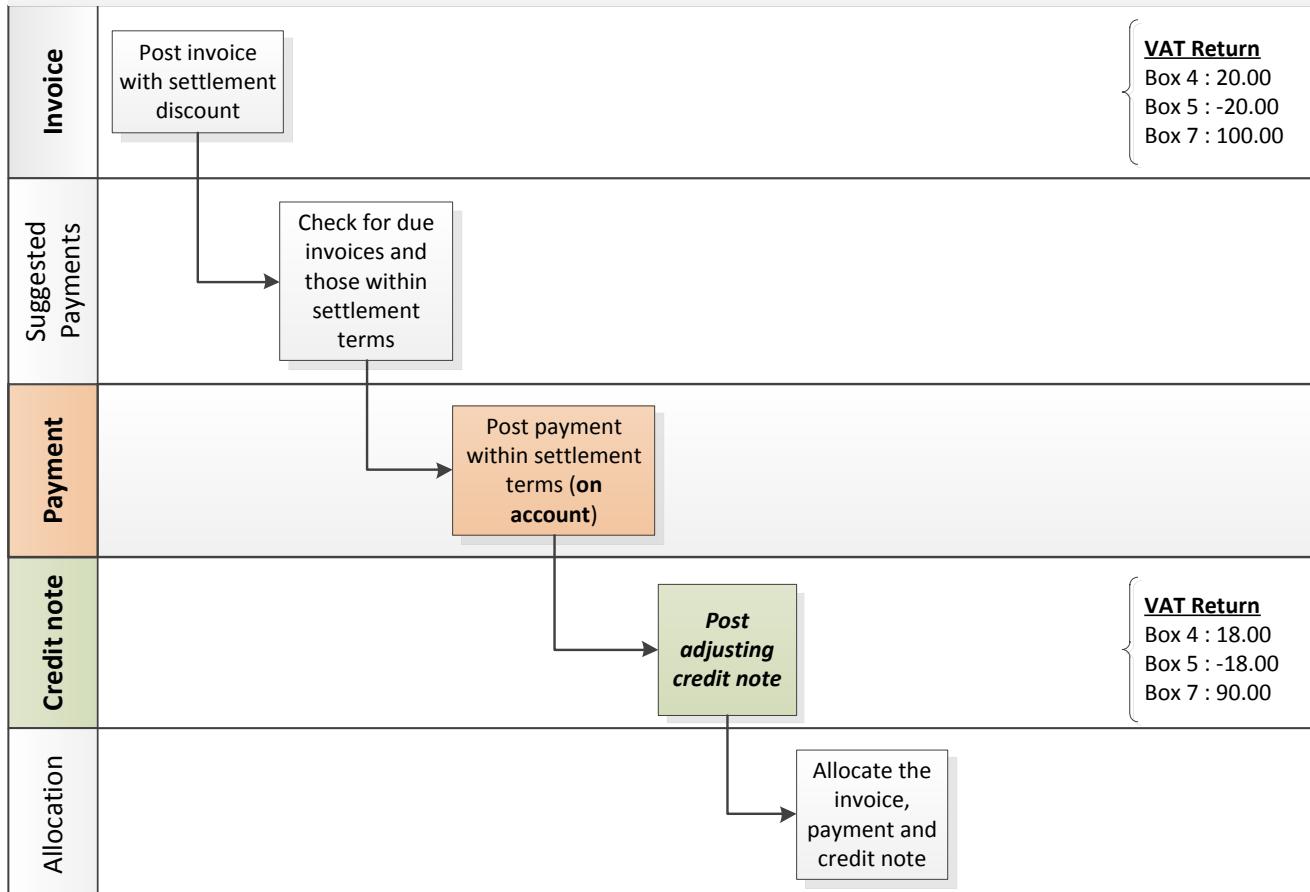
- You pay early to take settlement discount.
- The VAT you pay is reduced.
- The payment must be paid using the **Processing – Payments** form.
- Invoices cannot be paid using the **Authorise Cheques** and **Authorise BACS** commands.
- The invoice needs to be put on hold until the credit note is received from the supplier so that it's not allocated to other payments.*

Credit Note

- Is posted for the discount, and VAT saving to adjust the VAT Return*
- Use the 2nd ref (Purchase Ledger) or supplier ref (PIR) to record the discount reference (along with the relevant invoice number).*
- An analysis code set up for discounts could be used to analyse the credit.*

Example 3: Advised method if supplier offers settlement discount without a credit note

- On the 1 April 2015 you buy goods from your supplier for £120 (£100 goods + £20 VAT). The invoice offers settlement discount (10% if paid within 30 days, 5% within 60 days).
- 25 days later you check which invoices need paying using the **Suggested Payments Report**.
- You pay the invoice after 25 days (attracts 10% discount) using the **Processing - Payments** command.
- The payment of £108 (£90 goods + £18 VAT) is posted on account, and the invoice is put on hold.
- You post an adjusting credit note for (£10 goods + £2 VAT).**
- The invoice is taken off hold, and it is allocated to the payment and credit note.



Invoice

- Supplier offers settlement terms.*
- The VAT calculated for the invoice ignores the discount.*

Payment

- You pay early to take settlement discount.
- The VAT you pay is reduced.
- The payment must be paid using the **Processing – Payments** form.
- The invoices cannot be paid using the **Authorise Cheques**, and **Authorise BACS** commands.

Credit Note

- Is posted for the discount, and VAT saving to adjust the VAT Return.**
- Use the 2nd ref (Purchase Ledger) or supplier ref (PIR) to record the discount reference (along with the relevant invoice number).**
- An analysis code set up for discounts could be used to analyse the credit.**

Your notes

End of guide