



How to apply a change of VAT Rate to StockManager

On July the 15th 2020 the VAT rate for food and non-alcoholic drinks will change from 20% to 5%.

So for StockManager, you will need to calculate “effective” VAT Rates, and liquor and food need to be dealt with slightly differently.

We have shown on the following pages the calculations and examples for working out the effective VAT rates for both liquor and food. However, you can use the VAT calculator we have published on our website <http://www.greyeye.co.uk/vat>

We refer to the gross takings figures below and these should be available via the till reports, although you might have to do some adding up.

If the till is not able to provide you with a split in takings for the period, or a split for non-alcoholic vv alcoholic products in liquor, you should use the StockManager reports and add up the Consumption @ Retail figures.

I should stress that the overall GP% will be correct for both food and liquor. However for liquor, the effective VAT rate you apply will slightly skew the GP% figures for each product section.

Food

For a stock period that includes the 15th July, it will be necessary to have an effective VAT rate which you will have to calculate for each client.

You will need separate figures for the gross takings for food before and after the rate change.

Use the equation below to calculate the VAT due for the periods before/after the rate change.

$$\text{VAT due} = \frac{\text{Gross Food Takings} * \text{VAT rate}}{(100 + \text{VAT rate})}$$

Then, by totalling up the figures and using the equation below, you can calculate the effective VAT rate.

$$\text{Effective VAT rate} = \frac{\text{Total VAT due}}{(\text{Gross Food Takings} - \text{Total VAT due})}$$

Check out the calculations on the example below before using it for a client.

	<u>1st to 14th Jul</u>	<u>15th to 31st Jul</u>	<u>Total</u>
VAT rate	20%	5%	
Gross food takings	£26,000.00	£42,000.00	£68,000.00
VAT due	£4,333.33	£2,000	£6,333.33
Effective VAT rate			10.27%

To use our calculator at <http://www.greyeye.co.uk/vat>, just type in the 26000 and 42000 figures and the 10.27% will be shown.

You should calculate the transitional VAT rate for food, and set the figures on the Audits screen (for food) for the transition audit.

Then, when you move on to the first full audit with the new VAT rate, change the figures to 5%.

When the VAT rate is put back to 20% in six months time, you will need to do the reverse calculations.

Liquor

Liquor is different because some products will be rated at 20% and some at 5%. So, the calculations shown above will have to be done for liquor for **all** stocktakes until the rate change is reversed.

For the first stock period that includes the 15th July you will need separate figures for the gross takings for :

- alcoholic products for the whole stock period
- non-alcoholic products before the rate change
- non-alcoholic products after the rate change

Use the equation below to calculate the VAT due for the takings at different VAT rates.

$$\text{VAT due} = \frac{\text{Gross Takings} * \text{VAT rate}}{(100 + \text{VAT rate})}$$

Then, by totalling up those figures and using the equation below, you can calculate the effective VAT rate.

$$\text{Effective VAT rate} = \frac{\text{Total VAT due}}{(\text{Total Gross Takings} - \text{Total VAT due})}$$

Check out the calculations on the example below before using it for a client.

<u>Non-Alcoholic</u>	<u>1st to 14th Jul</u>	<u>15th to 31st Jul</u>	<u>Total</u>
VAT rate	20%	5%	
Gross takings	£4,000.00	£2,000.00	£6,000.00
VAT due	£666.67	£95.23	£761.90

<u>Alcoholic</u>	<u>Whole Period</u>	
VAT rate	20%	
Gross takings	£38,000.00	£38,000.00
VAT due	£6333.33	£6333.33

Total Gross Takings	£44000.00	
Total VAT due	£7095.24	Effective VAT Rate 19.23%

To use our calculator at <http://www.greyeye.co.uk/vat>, just type in the 42000 and 2000 figures and the 19.23% will be shown.

You should calculate the effective VAT rate, and set the figures on the Audits screen (for liquor) for the transition audit.

For subsequent stocktakes until the VAT rate is reversed, you'll need to split the alcoholic vv non-alcoholic takings, but it will apply to the whole period.

When the VAT rate is put back to 20% in six months time, you will need to do the reverse calculations.