

## **Managing VAT Expenses in BUSY**

(for U.A.E and Saudi Arabia)

### **Overview**

As per VAT Rules, VAT is applicable on expenses as well. Whereas, later on the VAT paid will be reclaimed as Input VAT and can be adjusted with Output VAT.

In this document we will discuss treatment of VAT Expenses through Accounting Vouchers. To Manage VAT Expenses following steps needs to be followed:

Step 1: Create Expense Account and specify VAT related details.

Step 2: Record Expenses through Journal/Payment Vouchers.

Step 3: Check reflection in VAT Reports.

Now, let us discuss the above steps in detail.

### **Step 1: Create Expense Account and specify VAT related details**

First of all, you need to create *Expense* account and specify VAT related details in it. Given below is the screenshot of *Expense* Account.

**Add Account Master**

**General Info.**

Name: Car Servicing  
 (Alias)  
 Print Name: Car Servicing  
 Group: Expenses (Indirect/Admn.)  
 Op. Bal. 0.00 (AED, Dri/Cr D)  
 Prev. Year Bal. 0.00 (AED, Dri/Cr D)

VAT Applicable: Y

**VAT Details**

Tax Category: 5%  
 VAT Tax Code: 0091  
 ITC Eligibility: Y

E-Mail  
 Mobile No. Tel. No.  
 Fax Contact Person  
 Transport Station

**Other Info**

CST No. LST No.  
 Service Tax No. LBT No.

Enable Email Query Enable SMS Query

Notes Opt. Fields ACC IMAGE Save Quit

Esc=>Quit F2=>Done

Following VAT Related details need to be specified:

- Tax Category – Specify the rate at which VAT is applicable on this account (either directly or through RCM).
- VAT Tax Code– Specify the VAT Tax Code for this account.
- ITC Eligibility – Specify ‘Y’ under this field if VAT Input is available on this account.

## **Step 2: Record Expenses**

Once all expense accounts are configured properly, next step is to record expense transactions. Let us see how to enter expense voucher using *Journal* voucher. Given below is the screenshot of *Journal Voucher*.

Add Journal Voucher

Voucher Series: **Main**      Date: **20-03-2018** (Tue)      Vch No.

VAT Nature

S.No	D/C	Ac	Debit (AED)	Credit (AED)	Short Narration
1		Not Applicable			
2		RCM/Unreg. Expense			
3		Registered Expense (B2B)			
4		Exempt Expense			
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
			0.00	0.00	

Long Narration

Vch. Other Detail    Master Other Detail    ACC IMAGE    VCH IMAGE    Save    Quit

Esc=>Quit F2=>Done F4=>Std.Nar. F6=>Vch.Type F7=>Repeat F9=>Del.Line

In *Journal Voucher*, *VAT Nature* field appears. Under *VAT Nature* following four options will appear in the list:

- **Not Applicable** – Select this option if VAT is not applicable for this transaction.
- **RCM/Unreg. Expense** – Select this option if expense incurred is from unregistered dealer.
- **Registered Expense (B2B)** – Select this option if expenses incurred are from a registered dealer and you have paid VAT on them but later on you will get input for the same.
- **Exempt** – Select this option if expense incurred is exempted from VAT and need to be reflected in VAT reports.

Given below is the screenshot of *Journal Voucher* for RCM/Unreg. Expense.

Add Journal Voucher

Voucher Series: **Main**      Date: **20-03-2018** (Tue) Vch No.

VAT Nature: **RCM/Unreg. Expense**

S.No	D/C	Account	Debit (AED)	Credit (AED)	Short Narration
1	D	Office Miscellaneous Expenses	500.00		
2	C	Cash		500.00	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
(Cur. Bal. : AED 31,400.00 Dr.)			500.00	500.00	
Long Narration					

Esc=>Quit F2=>Done F4=>Std.Nar. F6=>Vch.Type F7=>Repeat F9=>Del. Line

VAT will be calculated on RCM/Unreg. Expense and will be reflected in VAT Return under **'Supplies Subject to Reverse Charge'** head.

Given below is the screenshot of *Journal Voucher* for Registered Expense (B2B).

The screenshot shows the 'Add Journal Voucher' window. At the top, it displays 'Voucher Series: Main', 'Date: 20-03-2018', and '(Tue) Vch No.'. Below this, the 'VAT Nature' is set to 'Registered Expense (B2B)'. The main table lists the following entries:

S.No	D/C	Account	Debit (AED)	Credit (AED)	Short Narration
1	D	Car Servicing	1,000.00		
2	D	VAT Input	50.00		
3	C	United Emirates Bank		1,050.00	

An orange modal window titled 'Registered Expense' is overlaid on the main window. It contains the following information:

- Expense Account Name : Car Servicing
- Expense Amount to be Adjusted : AED 1,000.00
- Party : Abu Dhabi Motors
- Region : Within UAE

Below this information is a table with the following columns: SN, Account Name, Purc. Inv. No., Purc. Bill Date, Taxable Amt, VAT %, VAT Amt., ITC Eligibility. The first row contains the following data:

SN	Account Name	Purc. Inv. No.	Purc. Bill Date	Taxable Amt	VAT %	VAT Amt.	ITC Eligibility
1	Car Servicing	019	20-03-2018	1,000.00	5.00	50.00	Y

At the bottom of the modal window, there are 'Save' and 'Quit' buttons. The status bar at the bottom of the main window shows 'Esc=>Quit F2=>Done' and 'Esc=>Quit F2=>Done F4=>Std.Nar. F6=>Vch.Type F7=>Repeat F9=>Del. Line'.

This window will appear at the time of saving voucher where we can specify additional details required for VAT reporting. Specify Party Name and other Invoice details in this window.

Please Note: Tax Paid on Expenses will be treated as Input Tax and will be adjusted in output tax under VAT Reports.

Given below is the screenshot of *Journal Voucher* for Exempt Expense.

**Add Journal Voucher**

Voucher Series: **Main**      Date: **20-03-2018** (Tue)      Vch No.:

VAT Nature: **Exempt Expense**

S.No	D/C	Account	Debit (AED)	Credit (AED)	Short Narration
1	D	Travelling Expenses	400.00		
2	C	Cash		400.00	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					

(Cur. Bal. : AED 30,900.00 Dr.)      **400.00**      **400.00**

Long Narration:

Vch. Other Detail    Master Other Detail    ACC IMAGE    VCH IMAGE    Save    Quit

Esc=>Quit    F2=>Done    F4=>Std.Mar.    F6=>Vch.Type    F7=>Repeat    F9=>Del. Line

Exempt expenses will be reflected in VAT Reports as Exempt Supplies.

Above expense vouchers can be entered through *Payment* vouchers as well. Given below is the screenshot of *Payment Voucher*.

**Add Payment Voucher**

Voucher Series: **Main**      Date: **01-03-2018** (Thu)      Vch No.

VAT Nature: **Not Applicable**

S.No	D/C	Ac	Debit (AED)	Credit (AED)	Short Narration
1		RCM/Unreg. Expense			
2		Registered Expense (B2B)			
3		Exempt Expense			
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
			0.00	0.00	

Long Narration

Vch. Other Detail    Master Other Detail    Party Dash Board    VCH IMAGE    ACC IMAGE    Save    Quit

Esc=>Quit F2=>Done F4=>Std.Mar. F6=>Vch.Type F7=>Repeat F9=>Del. Line

In *Payment Voucher*, *VAT Nature* dropdown list will be same as appears in *Journal Voucher*. You can enter either *Payment* or *Journal Voucher* for booking expenses.

### **Step 3: Check reflection in VAT Reports**

Once you have recorded all the expenses, you can check reflection in VAT reports and returns. To view VAT reports, click *Display > VAT Reports >* Select the required report. Given below is the screenshot of VAT Return.

**Vat Return** From 1-1-2018 To 10-3-2018

Particulars	Amount (AED)	VAT Amount (AED)	Adjustment (AED)
(1d) Standard rated Supplies in Ajman			
(1e) Standard rated Supplies in Umm Al Quwain			
(1f) Standard rated Supplies in Ras Al Khaimah			
(1g) Standard rated Supplies in Fujairah			
(3) Zero Rated Supplies			N/A
(4) Supplies of goods and services to regd. customers in other GCC implementing states		N/A	N/A
(5) Exempt Supplies		N	
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VAT on Expenses and all other Inputs			
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(9) Standard rated expenses	1,000.00	50.00	
(10) Supplies subject to Reverse Charge	500.00	25.00	
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<b>Net VAT Due</b>			
Total value of due tax for the period	1,500.00		
Total value of recoverable tax for the period		50.00	
Total value of due tax for the period		1,450.00	

Tax calculated on RCM/UnReg. Expenses

Tax Paid on Expense is treated as Input Tax

Tax Payable= Output Tax-Input Tax i.e. 1,500-50 = 1,450

With this we have completed management of VAT Expenses in BUSY.

<<< 😊 Thank You 😊 >>>