

Priority ERP's Support for Brexit*

What is Brexit?

The UK voted to leave the European Union (EU) in 2016 but officially left its nearest and biggest trading partner on 31 January 2020. Both sides agreed to retain many terms of trade until the end of 2020 to allow enough time to reach a <u>new agreement</u>, which was accomplished on 24 December 2020. As a result, the HMRC has issued <u>new regulations</u>, incremental changes to manage the UK's exit from the EU.

As part of our commitment to our UK customers' and partners' success in navigating the transition, we've made updates to the system and outlined implementation steps in order to support the new Brexit regulations.

Which *Priority* Features Support Brexit?

EORI Number

The EORI number was introduced as a mandatory attribute that every UK exporter to the EU will need to have and display on paperwork. We added a dedicated field for this number alongside your relevant company data.

This number will be included in inventory transactions between the UK and EU countries and will appear with your company logo on document printouts.

To define the EORI number:

In the <u>Company Data</u> form, enter your company's EORI in the **EORI** Number field.

Reclassification in the VAT Report

We allowed for a simple reclassification of "EU" vendors and customers to "rest of the world" vendors and customers so that their transactions would be allocated properly in the VAT report boxes and, consequently, in the VAT submission.

To reclassify vendors and customers:

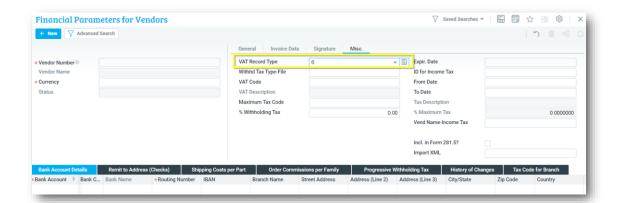
1. In the <u>Financial Parameters for Vendors</u> form, retrieve your European vendors.

Tip: Retrieve EU vendors by searching by **5** (EU vendors) in the **VAT Record Type** field.

2. In the **VAT Record Type** field, change the value from 5 to 6 (rest of the world).

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^{*} Customers are strongly advised not to use the current procedures without prior testing to make sure that they fit their own requirements and work practices.



- 3. In the <u>Financial Parameters for Customers</u> form, retrieve your European customers (search by 2 in the **VAT Record Type** field).
- 4. In the **VAT Record Type** field, change the value from 2 (EU customers) to 3 (rest of the world).

Since Northern Ireland is yet to complete Brexit, if you have a purchase or sales transaction with a European vendor or customer that concerns an entity in Northern Ireland, you can change the **VAT Record Type** back to 5 or 2, respectively, in that specific transaction (in the **Invoice – Add'I Details** sublevel of the invoice form).

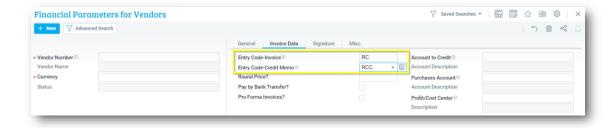
PVA on Imports

The UK introduced a deferred import VAT scheme, Postponed VAT Accounting (PVA), so that companies importing goods into the UK do not have to make cash payments on import VAT. Instead, it can be recorded on the VAT return submitted by all VAT-registered businesses in the UK.

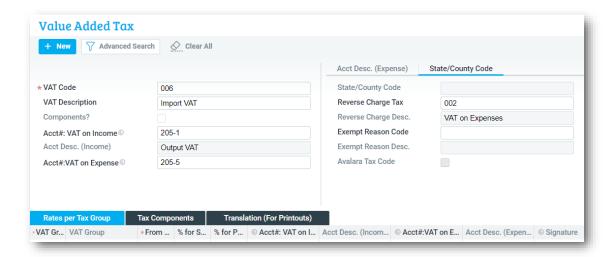
Our flexible reverse-charge mechanism allows for a smooth introduction of the new PVA on imports.

To set up PVA:

1. In the <u>Financial Parameters for Vendors</u> form, in the **Entry Code-Invoice** and **Entry Code-Credit Memo** fields, assign the existing transaction types for Reverse Charge and Reverse Charge Credit, respectively, to your vendors worldwide with whom you will apply this regulation.



2. In the <u>Value Added Tax</u> form, retrieve your tax code for international vendors (typically 006), and link it to your code for local purchases (typically 002) in the **Reverse Charge Tax** field.



VAT Report Generator

Priority's VAT Report Generator allows you to setup a VAT report according to the requirements of the tax authorities in your country. You define the VAT report boxes as well as the conditions that determine the sums in journal entries that contribute to the tax box totals when running the VAT report.

The VAT Report Generator will be applied to the UK VAT report as of the version 21.0 release (due end of March 2021). This will give you the option to define which transactions will contribute to the sums in the VAT report boxes, according to your particular requirements that may arise from Brexit.

To use this option when submitting your VAT return under MTD to HMRC, use our suggested configuration of VAT boxes:

1. In the <u>VAT Report Boxes</u> form, make sure that the following report boxes have been defined in the system:

Box Code	Box Title	Box Type Code	Country	Absolute Value Sum?	Display Order
1	VAT due in the period on sales and other outputs	VD	United Kingdom		1
2	VAT due in the period on acquis. of goods in NI from EU	VD	United Kingdom		2
3	Total VAT due	TOT	United Kingdom		3
4	VAT reclaimed in the period on purchases and other input	VC	United Kingdom		4
5	Net VAT to pay to HMRC or reclaim	TOT	United Kingdom	Υ	5
6	Total value of sales and all other outputs excluding VAT	BD	United Kingdom		6
7	Total value of purchases and other inputs excluding VAT	ВС	United Kingdom		7

8	Supplies of goods and related costs, excluding VAT to EU	BD	United Kingdom	8
9	Acquisitions of goods and related, excluding VAT from EU	ВС	United Kingdom	9

2. Select the line for box 3, and in the **Totals for Boxes** sub-level form, in the **Box Code** field, specify boxes 1 and 2, since their sums contribute to the total in the box in the upper-level form, as shown below:



Go back to the upper-level form and select the box 5 line. Then in the
 Totals for Boxes sub-level form, in the Box Code field, specify box 1 and
 2, and mark the Reverse Sign box. Also specify box 4, as shown below:



4. Use the <u>VAT Report Box Definitions</u> form to define the conditions according to which sums will contribute to the total in report boxes when running the VAT report.

For each box, you can define multiple conditions (specifically, tax code, tax group, journal entry code, and VAT record type), as well as exceptions. Conditions can also be left blank. Only lines in the Entry Journal > VAT Calculation Details form that meet these conditions will contribute to the sum in the report box.

For recommended mapping, please see the appendix.

Important!

- To run the new VAT report by boxes, use the <u>VAT Report (by Boxes)</u> (instead of the <u>Value Added Tax</u> report).
- If you want to continue submitting VAT using the old UK VAT report, you may choose to do so (in the input of the <u>Submit VAT Return</u> program). However, please be aware that future changes to regulations will not be included in that report.

Commodity Code and Country of Origin on Export Invoices

Businesses must now specify the commodity code and the country of origin of goods when sending them out of the UK. The commodity code determines the tariff to be paid on imports as well as whether the goods will be included in Intrastat declarations.

To assign a commodity code and country of origin to parts:

• In the <u>Financial Parameters for Part</u> form, choose a relevant **Commodity Code** and **Country of Origin** for the part.

Note: If the commodity code you require does not appear in the choose list, add it to the Itemised Customs Rates form.

Commodity code: The system will automatically add the commodity code assigned to the part on customer invoice printouts sent to customers outside the company's country.

Country of origin: The country of origin will be taken from the invoice line, specifically in the Country field of the Invoice Items > Invoice Data for Intrastat Rep form, a sub-level of the customer invoices. This field can be revised as necessary. The country of origin is only taken from the part definition if none was specified in the invoice line.

Basic Data for the UK

When installing *Priority* and selecting the country, the preconfigured setup defines the required system parameters for working in the UK, such as tax groups, tax codes, VAT definitions, and other financial settings.

As new regulations are published and information pours in, we continue to update our UK data template. Currently, we are keeping the EU tax codes in place to allow for the prolonged transition period of Northern Ireland. We will deactivate them as soon as that transition is complete. This ensures that our customers in the UK have only the relevant tax codes.

Appendix A: Suggested Mapping in the VAT

Report Box Definitions Form

Box Code	Box Title	Country	Tax Code	Tax Descrip.	Tax Group Code	Entry Code	Transact. Descrip	Tax Record Type	Reverse Sign?	Exclude?
1	VAT due in the period on sales and other outputs	UK	001	VAT on Domestic Sales						
1	VAT due in the period on sales and other outputs	UK	001	VAT on Domestic Sales		CRD	Credit Memo to Customer		Υ	
1	VAT due in the period on sales and other outputs	UK	004	VAT on EU Purchases		REVC	Reverse Charge	6		
1	VAT due in the period on sales and other outputs	UK	004	VAT on EU Purchases		REVCC	Reverse Charge credit	6	Υ	
1	VAT due in the period on sales and other outputs	UK	006	VAT on Worldwide Purchases		REVC	Reverse Charge	6		
1	VAT due in the period on sales and other outputs	UK	006	VAT on Worldwide Purchases		REVCC	Reverse Charge credit	6	Υ	
2	VAT due in the period on acquis. of goods in NI from EU	UK	004	VAT on EU Purchases		REVC	Reverse Charge	5		
2	VAT due in the period on acquis. of goods in NI from EU	UK	004	VAT on EU Purchases		REVCC	Reverse Charge credit	5	Υ	
2	VAT due in the period on acquis. of goods in NI from EU	UK	006	VAT on Worldwide Purchases		REVC	Reverse Charge	5		
2	VAT due in the period on acquis. of goods in NI from EU	UK	006	VAT on Worldwide Purchases		REVCC	Reverse Charge credit	5	Υ	
4	VAT reclaimed in the period on purchases and other input	UK	002	VAT on Domestic Purchases						
4	VAT reclaimed in the period on purchases and other input	UK	002	VAT on Domestic Purchases		CRV	Credit Memo from Vendor		Υ	
4	VAT reclaimed in the period on purchases and other input	UK	004	VAT on EU Purchases						

4	VAT reclaimed in the period on purchases and other input	UK	004	VAT on EU Purchases	CRV	Credit Memo from Vendor		Y	
4	VAT reclaimed in the period on purchases and other input	UK	006	VAT on Worldwide Purchases					
4	VAT reclaimed in the period on purchases and other input	UK	006	VAT on Worldwide Purchases	CRV	Credit Memo from Vendor		Y	
6	Total value of sales and all other outputs excluding VAT	UK	001	VAT on Domestic Sales					
6	Total value of sales and all other outputs excluding VAT	UK	001	VAT on Domestic Sales	CRD	Credit Memo to Customer		Y	
6	Total value of sales and all other outputs excluding VAT	UK	003	VAT on EU Sales					
6	Total value of sales and all other outputs excluding VAT	UK	003	VAT on EU Sales	CRD	Credit Memo to Customer		Y	
6	Total value of sales and all other outputs excluding VAT	UK	005	VAT on Worldwide Sales					
6	Total value of sales and all other outputs excluding VAT	UK	005	VAT on Worldwide Sales	CRD	Credit Memo to Customer		Y	
7	Total value of purchases and other inputs excluding VAT	UK	002	VAT on Domestic Purchases					
7	Total value of purchases and other inputs excluding VAT	UK	002	VAT on Domestic Purchases	CRV	Credit Memo from Vendor		Y	
7	Total value of purchases and other inputs excluding VAT	UK	004	VAT on EU Purchases					
7	Total value of purchases and other inputs excluding VAT	UK	004	VAT on EU Purchases	CRV	Credit Memo from Vendor		Y	
7	Total value of purchases and other inputs excluding VAT	UK	006	VAT on Worldwide Purchases					
7	Total value of purchases and other inputs excluding VAT	UK	006	VAT on Worldwide Purchases	CRV	Credit Memo from Vendor		Y	
8	Supplies of goods and related costs excluding VAT to EU	UK	003	VAT on EU Sales			5		
8	Supplies of goods and related costs excluding VAT to EU	UK	003	VAT on EU Sales	CRD	Credit Memo to Customer	5	Y	

8	Supplies of goods and related costs excluding VAT to EU	UK	005	VAT on Worldwide Sales				5		
8	Supplies of goods and related costs excluding VAT to EU	UK	005	VAT on Worldwide Sales		CRD	Credit Memo to Customer	5	Υ	
8	Supplies of goods and related costs excluding VAT to EU	UK			SVC					Y
9	Acquisitions of goods and related excluding VAT from EU	UK	004	VAT on EU Purchases				5		
9	Acquisitions of goods and related excluding VAT from EU	UK	004	VAT on EU Purchases		CRV	Credit Memo from Vendor	5	Υ	
9	Acquisitions of goods and related excluding VAT from EU	UK	004	VAT on EU Purchases		REVCC	Reverse Charge credit	5	Υ	
9	Acquisitions of goods and related excluding VAT from EU	UK	006	VAT on Worldwide Purchases				5		
9	Acquisitions of goods and related excluding VAT from EU	UK	006	VAT on Worldwide Purchases		CRV	Credit Memo from Vendor	5	Υ	
9	Acquisitions of goods and related excluding VAT from EU	UK	006	VAT on Worldwide Purchases		REVCC	Reverse Charge credit	5	Υ	
9	Acquisitions of goods and related excluding VAT from EU	UK			SVC					Y