

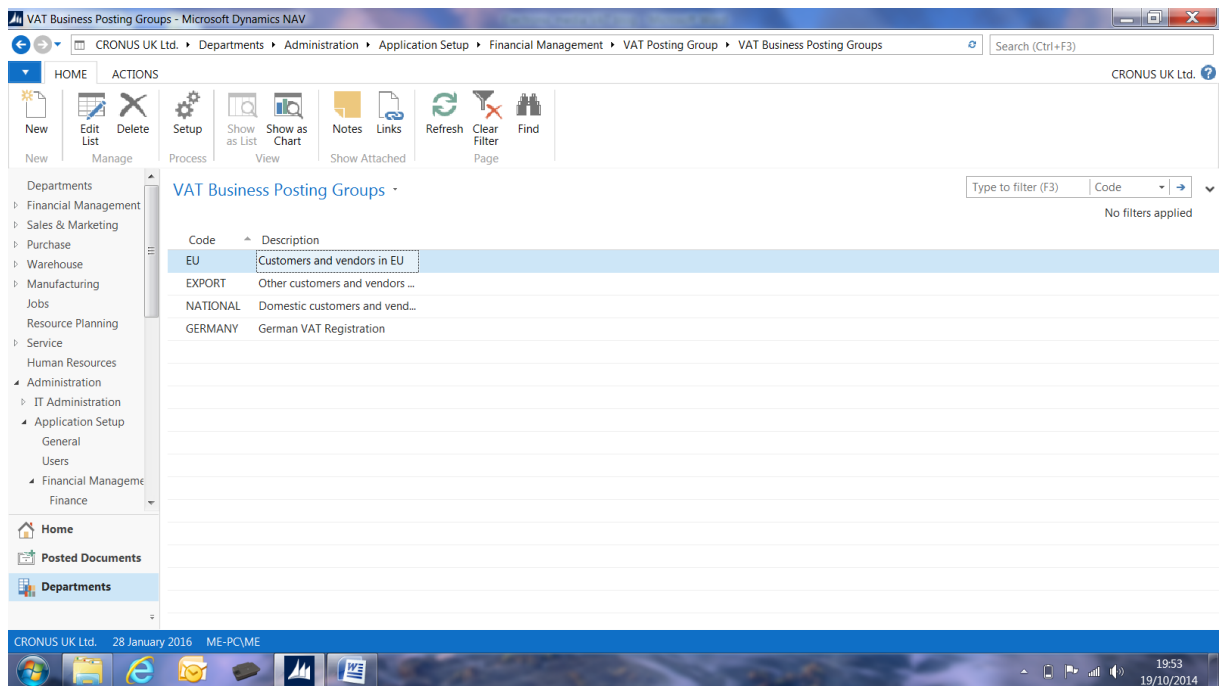
# DYNAMICS CONSULTANTS LTD.

## CHANGES IN VAT ON SALES OF ELECTRONIC GOODS

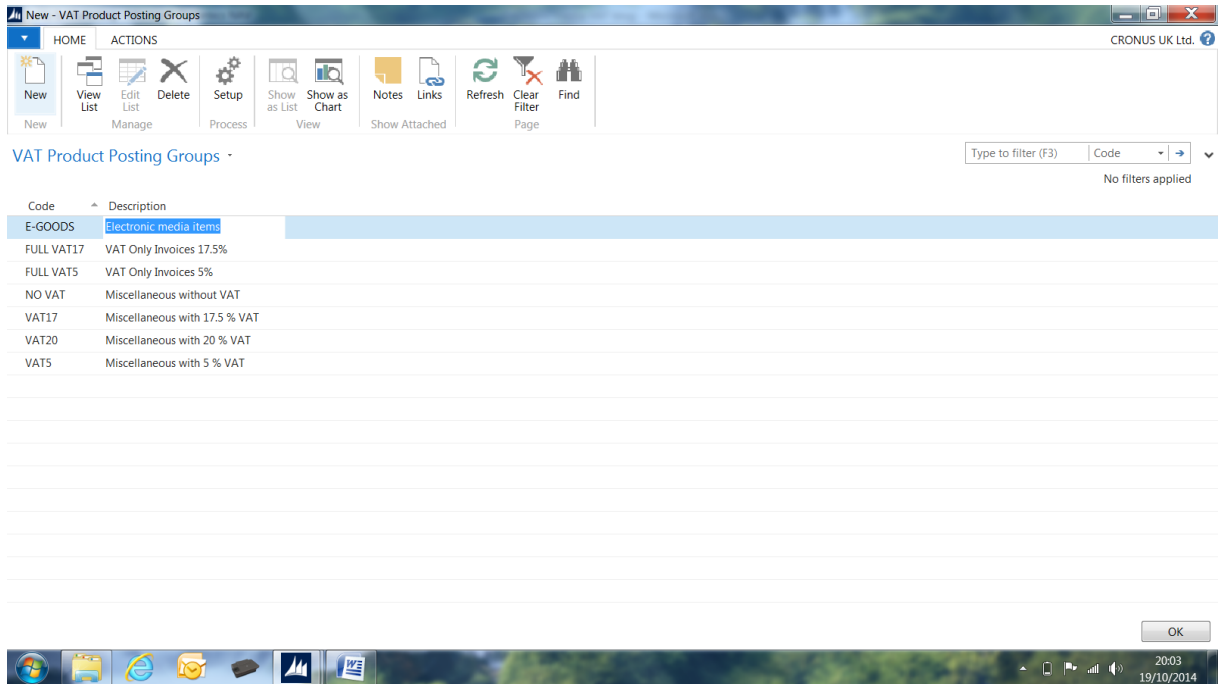
The way VAT is accounted for on sales of electronic goods (defined as any digital item which is not held in a tangible format) is changing. With effect from 1<sup>st</sup>, January 2015, any sales of these goods within the EU to a non VAT-registered person will be treated as though it was supplied in the country of the recipient rather than the supplier. This means that a supplier may have to account for VAT in each member state separately though there will be arrangements for submitting a combined return known as MOSS (Mini One-Stop Shop).

This article explains how to record and account for the VAT that traders will need to charge following these changes.

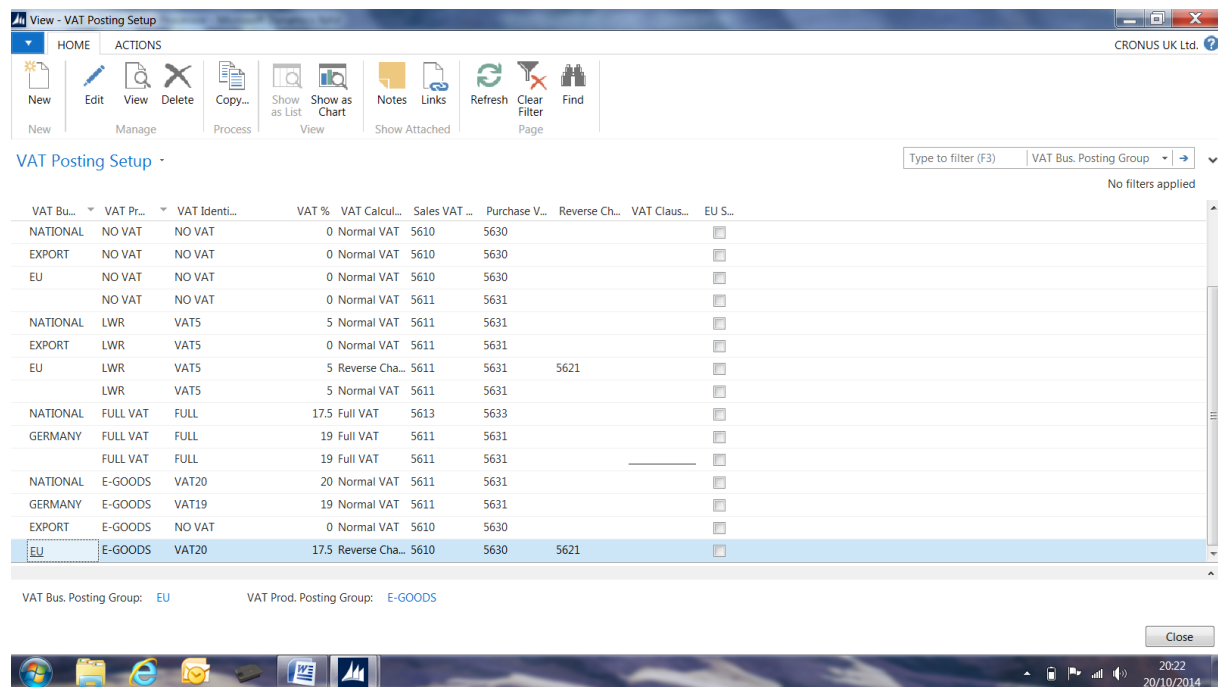
First, you will need to define a VAT Business Posting Group for each of the EU countries that you may sell electronic goods to. An example of one for Germany is shown in the screenshot below:-



Next, you will need to set up a VAT Product Posting Group for the electronic items reset the VAT Posting Setup entries as in the example below:-

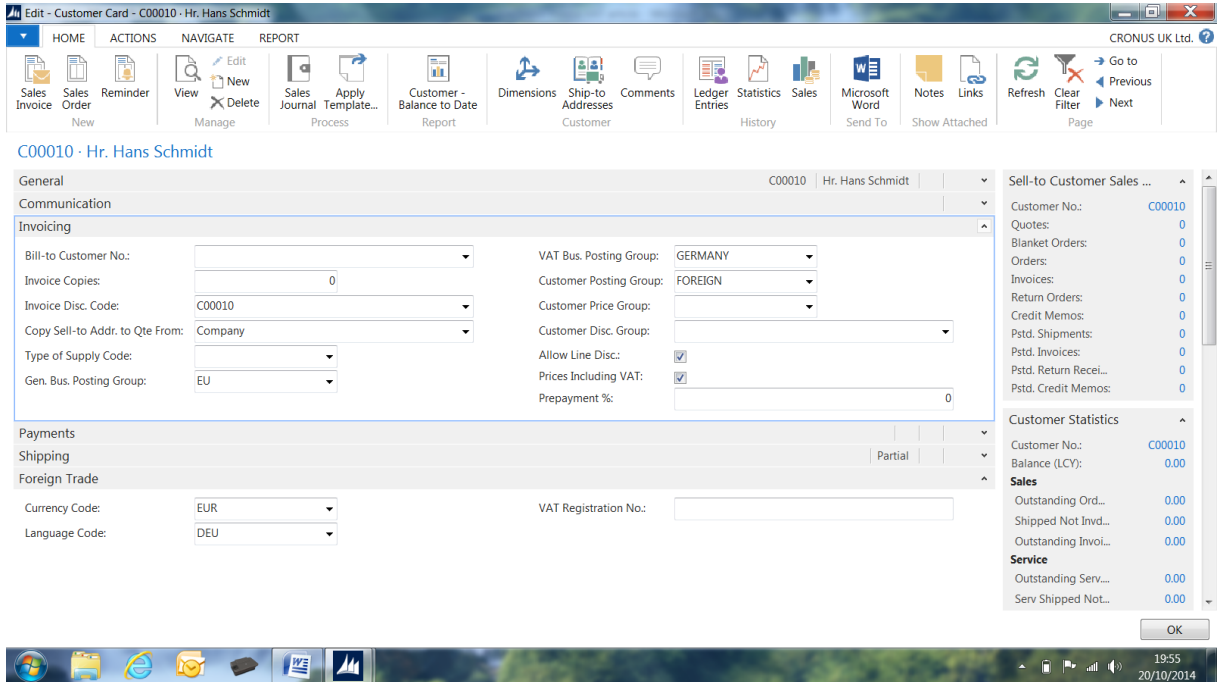


You now need to set up the combinations for the two new groups. The resulting screen would look something like the one below:-



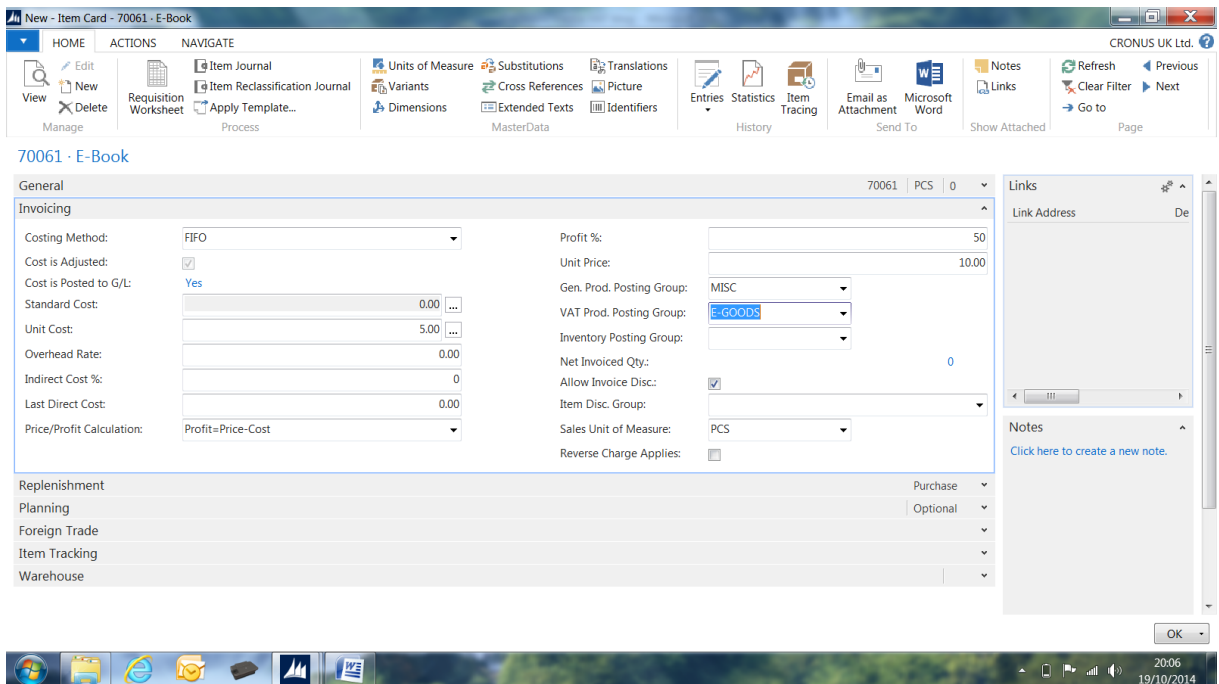
This setup assumes that all the e-goods sold will be taxed at, in this case, the German standard rate (currently 19%). It would be advisable to ensure that the VAT Identifier does quote the correct rates of VAT used.

You now need to add these groups to the relevant customers and items. An example of a customer with the new VAT Business Posting Group is shown below:-



The key point is that the customer is trading from an EU Member State and not-registered for VAT.

Items must also be allocated to their new VAT Product Posting Group as in the example below:-



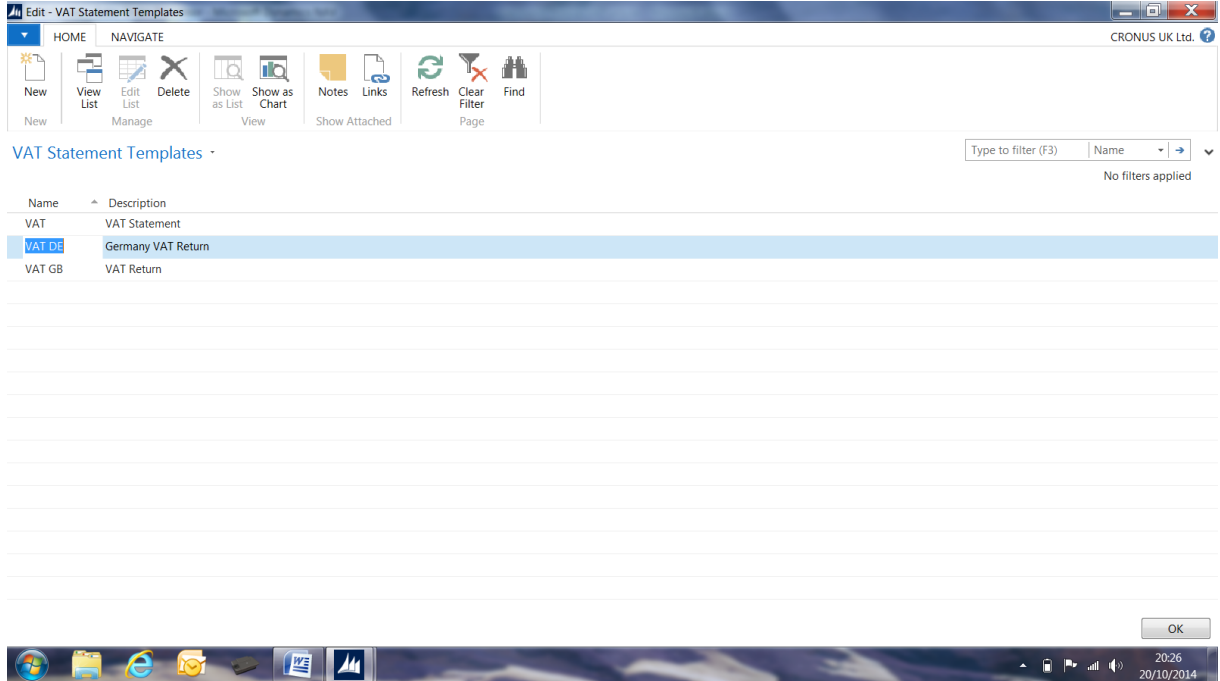
Note:- To allow for the sale of electronic goods to other countries e.g. the UK or countries outside the EU, it will be necessary to set up VAT Posting Setup combinations of the Electronic Goods VAT Product Posting Group for all the other VAT Business Posting Groups e.g. Export, EU or National with the appropriate VAT rates.

Once this setup is complete, the correct VAT treatment should apply to the sales you make.

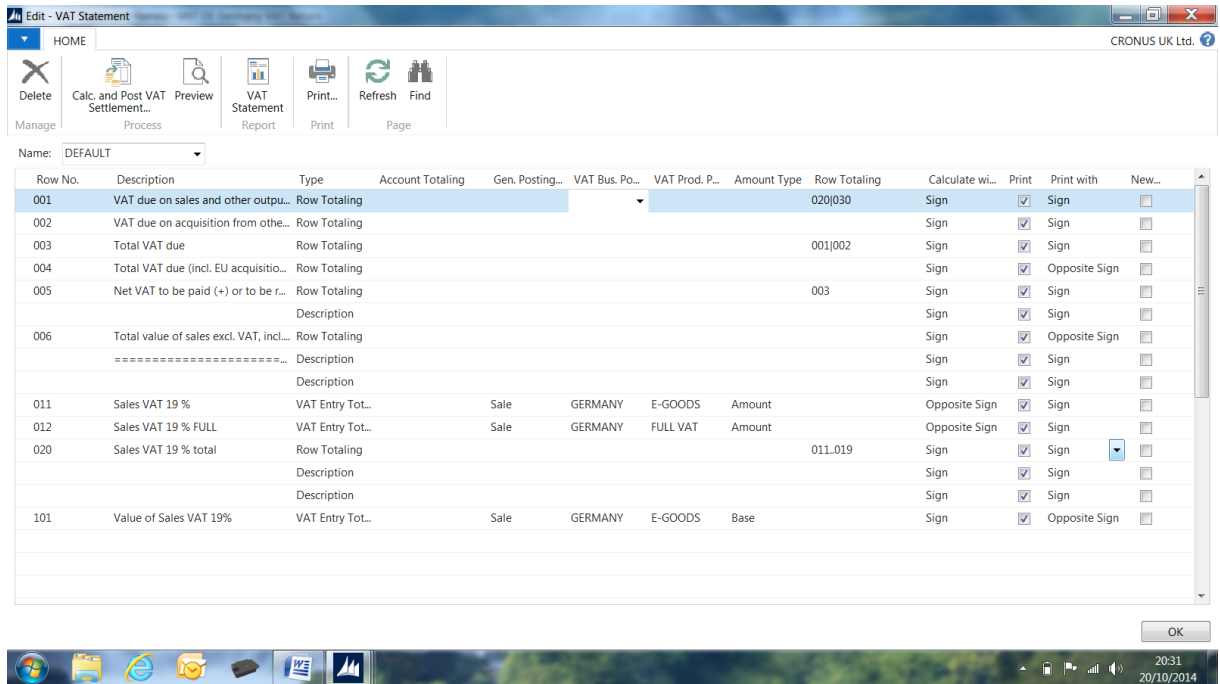
## VAT Returns

To account for the VAT charged, it will be necessary to create and VAT returns in NAV for each country. Because it will only be necessary to account for Sales VAT these will be cut-down versions of a normal return.

First, you need to create a new VAT template along the lines of the example below:-



Next, you need to create statement lines as per the example below:-



Because there will be no need to account for VAT on Purchases, or EU exports and imports or imports and exports outside the EU, these elements of the standard VAT return have been excluded.