

Prompt Payment Discount on Purchases

Prompt Payment Discount is a discount from the value of an invoice offered for early or prompt payment. Businesses must account for VAT on the full consideration received for supply of goods and services. Prompt Payment Discount can be offered on invoices dated after 1st April 2015.

Gold v6.4 and v7.5 have been developed to fully comply with the new HMRC Prompt Payment Discount legislation. This is referred to as PPD and replaces what is currently "Settlement Discount" in Gold. The main change between these two methods is the VAT implication.

Suppliers can provide an invoice showing the full discount available if the invoice is paid promptly or they may provide a credit note if the invoice is paid within the given settlement terms.

The purchase invoice posting programs for Parts Invoice Confirmation, Purchase Ledger Transactions, Miscellaneous Purchase Invoices, Plant Cost Posting, Wholegood Cost Posting, Planned Maintenance Cost Posting and Warranty Receipt (as Purchase Credit Note) have all been changed to allow the PPD values to be entered.

Setup

A new flag has been added to the Supplier Maintenance program to allow the PPD terms for the supplier to be set.

Note this MUST be set before posting supplier invoices after 1st April. It is recommended that every supplier is reviewed.

The screenshot shows the 'Supplier Maintenance - Insert Mode' dialog box with the 'Terms/Intrastats' tab selected. The 'Supplier A/c' is set to 1500. The 'Prompt Payment Discount Type Offered' dropdown menu is open, showing the following options: Auto Adjust, None, Credit Note, Auto Adjust, and Non-UK. The 'Auto Adjust' option is currently selected.

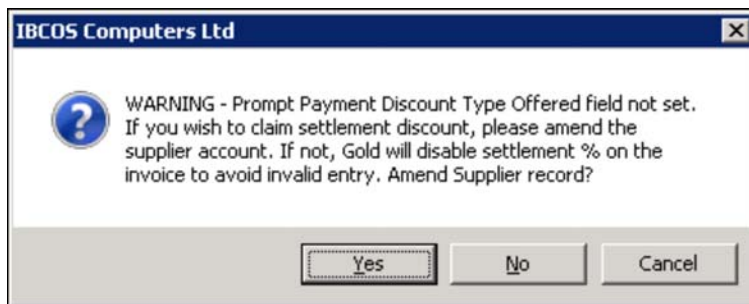
Days Credit/ Days Credit Taken	Enter the number of days credit given by the supplier, e.g. 30
Supplier Sett%	Enter the percentage discount offered by the supplier for prompt payment.
Prompt Payment Discount Type Offered	<p>None – supplier does not offer early settlement terms. <i>If 'None' is selected ensure that the Supplier Sett% is zero.</i></p> <p>Credit Note – supplier will produce a credit note for the value of the discount once payment for the discounted value has been received.</p> <p>Auto Adjust – supplier prints the settlement terms on the invoice and allows the discount value to be paid if within those terms and the balance will automatically be written off. This field is also available in the Mass Supplier Amend program so that it can be set for a range of suppliers.</p> <p>Non U.K. – If the supplier is not in the U.K. and therefore not subject to PPD this option may be set in order to continue to use the original settlement method.</p>

Purchase Invoice Posting

The procedure for posting a supplier invoice is similar in all the purchase invoice posting programs.

The invoice is started as normal by entering supplier account, invoice date and invoice number then completing the vat information from the printed invoice.

Note – if the supplier account has invalid entries relating to settlement discount, for example a settlement percentage set but a PPD Type on "None", then a message is displayed when selecting the supplier account.



The supplier account needs to be amended by checking data on the Terms/Intrastats tab before continuing. Select 'Yes' to amend the supplier account or 'No' to continue without applying any settlement discount.

Settlement Details

If the supplier is set to “Auto Adjust” and a percentage has been entered for “Supplier Sett %”, the percentage is completed automatically and the settlement amount, PPD net goods, PPD Vat and PPD Total also completed automatically.

These may be overwritten if the printed invoice shows different values, however the PPD Net Goods and Vat must add up to the PPD Total which must in turn not be higher than the invoice total.

If the supplier is set to “Credit Note” the PPD Net Goods, PPD Vat and PPD Total fields do not need to be completed and are not shown on screen.

Payments

(Purchase Ledger, Payments, Stop/Release Inv. For Payment)

Provided payment is being made within the settlement terms entered for the invoice both the “By Supplier” and “By Due Date” options of the Stop/Release program will allow the settlement value to be paid.

For the manual “By Supplier” option the cheque can be created manually or produced as part of the cheque run.

Note - PPD is not applicable to Part Payments, invoices must be paid in full to claim the discount.

Auto Adjust

For a supplier set to “Auto Adjust”, if the settlement value is paid the discount value is automatically written off as discount received with the nominal postings going to the discount received account and to the vat account for the vat element.

Bank Nominal 1950100

Supplier A/c: 1500 ... PPD Auto Adjust
Payment To A/c: 1500

Manual Cheque? No Cash Book: Pay By: **Cheque**

Batch Total: 43.20
Set to Pay: 43.20
Pay this run: 43.20
Sett taken: 4.80
Prev Set Pay: 0.00

Balances Transactions

OurRef	Supp Ref	Date	Type	Outs Val	Sett By	Sett Val	Payment	Q	Stat	WO	Description
P01926	150008	08/04/2015	Inv	-44.50	08/05/2015	-40.05	0.00		Stop		Ord No :
P01927	150009	09/04/2015	Inv	-44.50	09/05/2015	-40.05	0.00		Stop		Ord No :
P01930	150004	15/04/2015	Inv	0.00	15/05/2015	0.00	-43.20		Pay		TRAINING EXPENSES-SE

OK Select Options Outstdg Sgt Amt Part Reset

Credit Note

For a supplier set to "Credit Note", if the settlement value is paid the discount amount remains as an outstanding balance on the supplier account.

When the supplier provides the credit note this is posted to the account then the two transactions can be matched off to clear the account.