Prompt Payment Discounts
In Gold v5.6-v6.3

Gold v6.4 and v7.5 have been developed to fully comply with the new HMRC Prompt Payment Discounts. 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 implications.

Prompt Payment Discount is a discount from the value of an invoice offered for early or prompt payment. It can be offered on invoices dated after 1st April 2015.

Earlier versions of Gold (v5.6-v6.3) have not been changed for this new legislation.

If you would like to upgrade from an earlier version to take advantage of the changes, please email updates@ibcos.co.uk for more information.

PPD on Sales
Prompt Payment Discount (or settlement discount) cannot be offered on sales invoices raised after 1st April 2015, in versions of Gold prior to v6.4 (March 2015 compile date).

It is possible to use Credit Charges as an alternative and a factsheet Credit Charges FS75 is available, documenting the setup and use of credit charges.

PPD on Purchases
Prompt Payment Discount may be offered to you by your suppliers as an incentive to pay their invoices on time.

Version v6.4 and above of Gold has been developed to fully comply with the new legislation and to take full advantage of this we recommend upgrading.

However it is possible to manually post credit notes for discounts on purchase invoices using older versions of Gold.

There are 2 options for suppliers to give a prompt payment discount, these are by issuing a credit note after payment or by indicating the adjustment values on their invoices allowing the discounted amount to be paid.

1. **Supplier Credit Note**
   The supplier offers a credit note for prompt payment discount.

   The initial invoice provided will show the full value prior to discount and this should be the value entered when posting the invoice.

   On paying an invoice the prompt payment can be deducted by using a part payment.

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Stop / Release Inv. for Payment
(Purchase Ledger menu)

- Select "By Supplier" (note that the "By Due Date" option will not permit part payments).
- Select the supplier account to pay.
- Select Manual Cheque "No".
- Highlight the invoice to pay and select the "Part" button/option.
- Enter the payment amount.
- Select Write-Off Difference "No".

This will part pay the invoice and leave a balance outstanding.

In the example below the original invoice was for £100.00 plus £20.00 VAT making an invoice total of £120.00. The supplier offers 10% prompt payment discount.

The payment amount in this example is therefore £108.00 which is £120.00 less 10%. This would break down to £90.00 goods plus £18.00 VAT.

Once the part payment is entered it needs to be updated to the ledgers in the normal way, usually the Cheque list or Bacs Payments program.

This balance will remain on the supplier account until the supplier issues a credit note. The credit note is then posted to the supplier account in the normal manner. The Stop/Release Invoice for Payment program can then be used to match off the remaining balance on the invoice to the credit note to clear the balance.

In this example a credit note of £12.00 would be provided by the supplier with a breakdown of £10.00 goods and £2.00 VAT.

Once the credit note has been posted the "Stop/Release Invoice for Payment" program is used to match the transactions.

Use the "Outstdg" button/option against the invoice carrying the outstanding value and also against the credit note.

The total should show zero.

2. **Supplier Adjustment**

    The supplier may choose to show the breakdown of discount on the invoice allowing you to pay the lower values indicated if paid within the given time.

    In this case the full value of the invoice is still posted in the same way.

    The procedure for paying the invoice is the same as in the example above and the "Part" button is used to part pay the invoice.

    The supplier in this case does not provide a physical credit note for the discount value but this still needs to be posted manually in the Purchase Transaction program and matched off to the remaining invoice balance.

    It is suggested that the credit note entry is clearly marked as PPD for ease of reconciliation.