Bitesize Briefing #4

Raising a sales invoice – what do I need to know?

A bite-sized tutorial
Aim of this session are to provide:

• An overview of raising an invoice;
• Guidance and tips for raising an invoice in MyFinance;
• Details on the key VAT rules;
• Guidance on checking whether an invoice has been paid;
• An overview of how credit control collect debts;
• Explain what documentation you should keep on file.
Sales invoicing does not apply to:

- HEFCE Funding
- Research Grants & Contracts Income
- Student Fees
- Endowment Income
- Internal Income
- Some other centrally managed income streams
  - If you are unsure please ask your School finance team for advice.
What information do I need to raise an invoice? And where can I get it?

• Valid PTAE (Project, Task, Award, Expenditure)
  – Award type can be used for invoiced income (not discretionary, donation, endowment, sponsored research, internal core awards e.g. PSDF)
• Purchase order reference
• Contact details for approver/budget holder
• Back up e.g. funding letter, agreement, correspondence
  – Needs to be kept for at least 6 years
• Customer reference per UCL database
  – Only GEN or NHS
What if the customer is not set up?

• To request a customer is set up/amended, email credit control
  – https://www.ucl.ac.uk/finance/sales/credit-approval-process

• Credit control will review the credit worthiness of customers
  – If satisfactory, a new customer will be set up;
  – If the credit check raises a concern, the department is advised not to transact, if the department wants to go ahead they need to accept responsibility in writing and will be liable for any unpaid invoices
How do I raise an invoice?

- Go to MyFinance> UCL Receivables Transaction Entry> Transactions> Transactions
- If you’re stuck there is a help function
  - Sales Invoices, credit notes, printing invoices (PDF), etc.
Tips

• Distributions line can be used to split a line between multiple projects
• Sales person automatically populates based on the logged in user
  – Add phone number manually
• The description you write is what will appear on the invoice
Tips

• Foreign currency invoices
  – Either raise in GBP with foreign currency in description (if customer will accept);
  – or raise in system in GBP and use a manual template (request from Credit Control) to bill the customer in foreign currency amount and attach in MyFinance
  – For both the conversion should use HMRC FX rates or XE.com
• Once the invoice has been raised it should be printed and sent to the customer – this is not automatic
What are the main tax rules I should think about?

- Nature of activity (good or service supplied) determines the appropriate tax rate
  - Standard rated – 20% (this rate applies to most activity);
  - Zero rated – are goods/services which are taxable but at 0%;
  - Exempt – means the goods/services are not taxable;
  - Out of scope – is not taxable.

- The classification is important for the quarterly tax return we make to HMRC.
  - Need to account to HMRC for the correct VAT at the correct time and at the correct rate

- MyFinance tax engine: each expenditure type is allocated the correct VAT treatment
  - Select the correct expenditure type and the correct VAT treatment applies
What are the main tax rules I should think about?

- **Examples of income type:**
  - **Research income**
    - Commercial research is vatable
    - Grant funded research is outside the scope of VAT
  - **Trading income**
    - Consultancy fees – 20% VAT
    - Sale of non medical equipment – 20% VAT
  - **Staff salary recharges**
    - Staff secondment is Vatable at 20%, with some exceptions (recharges from one charity to another)
    - Salary recharges to NHS hospitals for clinical staff is outside the scope of VAT
    - Salary recharges to NHS hospitals for non-clinical staff is always vatable
    - Salary recharges to private hospitals is always Vatable
Timing of sales invoices

• Should be raised within 14 days from the date of supplying the goods or services.
  – VAT must be accounted for to HMRC in the correct VAT period.
• Where ongoing services, an invoice should be raised periodically in line with the agreement with the customer/contract.
• Invoices should be raised and approved within the same month.
  – Income is then recognised in the correct month and VAT is accounted for in the correct VAT period.
How does an invoice get approved?

• Who approves sales invoices?
  – Responsibility has been given to all Departmental managers, plus other staff where requested.
  – Departments are therefore able to self-approve invoices.
  – If you need sales invoice approval contact Carole Kone c.kone@ucl.ac.uk

• What should I check if I’m approving an invoice?
  – Correct customer, nature of the good/service supplied is clearly described, correct expenditure type based on the good/service supplied and this will ensure the correct VAT treatment.

• If you are unsure or it’s a tricky case contact the Taxation Team
How do I check if my invoice has been paid?

- Go to MyFinance> UCL Receivables Transaction Entry> Transactions> Transactions and search using the invoice number.
- Details show if credited or paid via receipt.

- Departments can also request a quarterly report of all outstanding invoices from credit control.
Income vs Cash

• When an invoice is raised the income is recognised immediately.
• At the same time a debt is recognised.

• The department remains liable for the value of the invoice until payment is received.
• Once the cash is received (payment) the debt against the invoice is cleared and the departmental liability ends.
What do credit control do?

• Collection of UCL debts, except tuition fees and residences.
  – Raise Research Council profile invoices
  – Identify cash received and match to invoice (debt)
  – Produce monthly customer statements
  – Resolve customer queries through liaison with departments

• Reduce UCL’s exposure to bad debts
  – credit checking of customers
  – Issue refunds / dunning letters
  – Engage external debt collectors, where needed
  – Write off bad debts, if necessary

• If you have any concerns about a particular debt or customer contact credit control.
What documents do I need to keep? Why?

• Each invoice raised on the system should have back up to support the charges e.g. funding letter, agreement, correspondence, receipts, proof of delivery.
  – These documents will need to be readily available to Credit Control to support them in collecting the debt, particularly if there is a query or an issue.

• If an external debt collector is engaged, a file must be provided with:
  – documents showing how charges originated,
  – Any correspondence between various departments; and
  – any other applicable evidence depending on each case.

• In addition, documents are required for audit and should be kept for 6 years.
Additional Guidance

• These slides will shortly be available on the FBA Training webpage [http://www.ucl.ac.uk/finance/myfinance/training](http://www.ucl.ac.uk/finance/myfinance/training)

• Credit control can be contacted at [creditcontrol@ucl.ac.uk](mailto:creditcontrol@ucl.ac.uk)

• Taxation can be contacted through [h.ruparelia@ucl.ac.uk](mailto:h.ruparelia@ucl.ac.uk)

• Further information on Income and Tax, including the relevant forms, can be found at: [http://www.ucl.ac.uk/finance/sales](http://www.ucl.ac.uk/finance/sales)
ANY QUESTIONS?