What do we need to know and remember about VAT?

If liable to VAT:

How many accounts???

**During the quarter** we use 3 ACCOUNTS: VAT Refund on goods, VAT Refunds on other expenses & Investments, VAT DUE

1. !! All amounts booked in the P&L / Income statement = NET AMOUNTS – without VAT
2. VAT amount (107.7%-100%) – are always booked in the balance sheet – Why? we have to pay back the VAT to Federal tax administration if we cash it from our customers, or we will cash it from Federal tax administration if we paid to suppliers.
   1. Amounts paid to suppliers of goods – VAT should be booked in VAT REFUND ON GOODS in debit side
   2. Amounts paid to other counterparties for other expenses (such as electricity etc.) or investments – VAT should be booked in VAT REFUND ON INVESTMENT OR OTHER EXPENSES – debit / left
   3. Amounts cashed/ received from customers – VAT should be book in VAT DUE , credit /right side
3. **End of the quarter, when VAT statement is done:** We add one account called VAT to pay/current account.
   1. We transfer the balance of the 3 accounts mentioned above
4. PAYMENT OF VAT every quarter, we close VAT to pay/current account.

!!! WE ALWAYS cash or pay the amount including VAT, or Trade receivables (invoices sent) and Trade payables (invoices received) always include VAT.

* Except for imports, no VAT