



Bad Debts

Bad debt relief can be claimed if it meets the criteria as specified by HMRC. (For details of the criteria please contact HMRC.)

The bad debt will need to be written off to a Profit & Loss heading code – e.g. Overhead Expenses / Office costs. Alternatively, a specific heading code could be set up under Overhead Expenses e.g. Bad debt write off.

Entry for Invoiced based VAT businesses

To reclaim any sales VAT, record the **cost** of the bad debt, and amend the customer ledger an **Input VAT journal** must be entered. The VAT amount should be debited to the input VAT code, the net amount is debited to the bad debt code, and the gross amount is credited to the customer ledger. (See example below)

The screenshot shows the 'Input VAT Journal' interface. At the top, there are buttons for 'Template Use' and 'Make', and a field for 'Entry No.' with the value '13'. Below this, there are fields for 'Entry Date' (21/10/11) and 'VAT Return' (October 2011). The main table has columns for 'Alloc ~ Supp ~ Cust ~ Bank A/c', 'Description', 'VAT', 'Qty DR', 'Amount DR', 'Qty CR', and 'Amount CR'. The table contains three rows of data:

		Debit		Credit		
Alloc ~ Supp ~ Cust ~ Bank A/c	Description	VAT	Qty DR	Amount DR	Qty CR	Amount CR
Input VAT	Input VAT Write off DH Pascal bad debt		0.000	50.00		
Bad debt write off / General 11	Write off DH Pascal bad debt	S	0.000	250.00		
Pascal D H (Customer)	Write off DH Pascal bad debt	S			0.000	300.00
Totals			0.00	300.00	0.00	300.00

At the bottom of the interface, there are buttons for 'Add Item', 'Edit Item', and 'Delete Item'.

Entry for Cash based VAT businesses

To correct the VAT, record the **cost** of the bad debt, and amend the customer ledger a **General-Purpose journal** must be entered. The net amount is debited to the bad debt code, the VAT amount should be debited to the **Revenue & Customs code**, and the gross amount is credited to the customer ledger. (See example below)

Template Use Make **Input VAT Journal** Entry No. **13**

Entry Date **21/10/11** VAT Return **October 2011**

		Debit		Credit			
Alloc ~ Supp ~ Cust ~ Bank/A/c	Description	VAT	Qty DR	Amount DR	Qty CR	Amount CR	
Input VAT	Input VAT						
	Write off DH		0.000	50.00			
Bad debt write off / General 11	Write off DH						
	Pascal bad debt	S	0.000	250.00			
Pascal D H (Customer)	Write off DH	S			0.000	300.00	
	Pascal bad debt						
		Totals		0.00	300.00	0.00	300.00

Add Item Edit Item Delete Item

Customer Ledger Amendment

To clear the customer ledger, click Ledger Payments / Ledger Receipts and select the customer. Click the **Clear** button, select a date, then tick to clear the invoice. (See example below)

Clear Payments and Receipts

Pascal D H Clearing Date: 20/10/11

No.	Date	Type	Tran. Total	Inv. Ref	Due Date	Item Description	Total	Clear	Clear Date
905	01/02/11	S. Invoice	300.00		28/02/11	Contracting work. 10 ho	300.00	<input checked="" type="checkbox"/>	