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VAT codes

- determine the amount and calculation of VAT in sales and purchase transactions
- affect the posting of VAT in the financial transactions of subsystems
- with the help of codes, transactions are distinguished for the VAT report (KMD, VAT return).

1. Setting up

VAT codes are set up **Settings > Finance settings > VAT codes:**

Directo settings

All
Find setting...

System settings >
Common Settings >
Finance Settings >
Asset classes
Asset Reg. Amort. Classes
Balance
Bank statement import rules
Banks

Finance Settings > VAT codes
Refresh
Clear fields
Choose columns
Save view
Settings
Print
Excel Output

VAT codes

OPEN Code
Add new
Browse

CODE ^	DESCRIPTION
0	Ei ole käive
1	22% määraga maksustatavad toimingud ja tehingud
2	9% määraga maksustatavad toimingud ja tehingud

- Create a new VAT code for each different type of operation, for which you want to receive specific reporting later or for which you want to post VAT differently in financial transactions.
- Different types of operations may be taxed with the same tax rate, for which detailed reporting must be received/given, not only in terms of the tax rate but also in terms of the type of operation. For example, as 22% taxable activities, in addition to normal domestic sales, the sales must be declared and separately submitted under the Estonian VAT act special procedure for self-supply, intra-Community acquisition of goods and services, etc.
- In order to distinguish the amounts declared as turnover in the terms of the VAT Act in the turnover of the accounts, it is necessary to mark the transactions with different VAT codes.
- On the purchase side, it is important to post different types of input VAT to different accounts. In contrast to the declaration of taxable turnover (basis of taxation), input VAT amounts are declared in the case of a purchase. The VAT codes must cover all special arrangements that are needed for self-supply or VAT declaration.
- The same VAT code with the same VAT% can be used for both sales and purchases simultaneously, as the VAT code can be configured to behave differently for each side.

2. VAT code card

Back

New

Copy

Delete

Save

Status: View

View changelog

Operations and transactions taxed at a rate of 22%

CODE

1

DESCRIPTION

Operations and transactions taxed at a rate of 22%

VAT%

22

SALES VAT ACCOUNT

212371

»

PURCHASE VAT ACCOUNT

212351

»

SALES CASH METHOD ACCOUNT

»

PURCHASE CASH METHOD ACCOUNT

»

SL PREPAYMENT ACCOUNT 1

212102

»

SL PREPAYMENT ACCOUNT 2

212371

»

PL PREPAYMENT ACCOUNT 1

»

PL PREPAYMENT ACCOUNT 2

»

VAT REG NO

No

INVOICE DATAFIELD

REVERSE VAT %

0

REVERSE ACCOUNT D

»

REVERSE ACCOUNT K

»

CORR. ACC.

»

SALES VAT OBJECT

»

PURCHASE VAT OBJECT

»

FISCAL BLOCK

PEPPOL CATEGORY ID

»

DOC.TRANSPORT PREFERS

Yes

PURCHASE VAT PROPORTION

PL VAT COST ACCOUNT

»

TYPE

TYPE OF VAT RATE

COUNTRY

CLOSED

EXTRA INFO

erikord

DISTINCTNESS

- **CODE** - The VAT code sign. It must be numeric. Codes for VAT codes must start from 0 and continue with +1 increments (0,1,2,3...n). VAT codes should not be deleted to avoid gaps, as this may disrupt some financial reports. If necessary, close the codes (field: CLOSED).
- **DESCRIPTION** - name, explanation of which operation is covered by the corresponding VAT code.

- **VAT%** - VAT percentage, if the given VAT code must also calculate the VAT amount for the sale or purchase transaction.
- **SALES VAT ACCOUNT** - financial account to which the amount of VAT calculated on the basis of the given VAT code is transferred to the financial transaction arising on the basis of the same invoice. If this field is left empty, when creating the transaction, the program will search for the corresponding account in the System settings.
- **PURCHASE VAT ACCOUNT** - financial account to which the amount of VAT calculated on the purchase invoice and expense is transferred based on the given VAT code to the financial transaction arising on the basis of the same transaction. If this field is left empty, when creating the transaction, the program will search for the corresponding account in the System settings.
- **SALES CASH METHOD ACCOUNT** - used for cash-based VAT calculation.
- **PURCHASE CASH METHOD ACCOUNT** - used for cash-based VAT calculation.
- **SL PREPAYMENT ACCOUNT 1** - financial account in case you want to calculate VAT from the prepayment and reflect the receipt in the financial transaction.
- **SL PREPAYMENT ACCOUNT 2** - corresponding account of SL PREPAYMENT ACCOUNT 1.
- **PL PREPAYMENT ACCOUNT 1** - financial account in case you want to calculate the VAT from the prepayment and reflect the receipt in the financial transaction.
- **PL PREPAYMENT ACCOUNT 2** - corresponding account of PL PREPAYMENT ACCOUNT 1.
- **VAT REG NO** - determines whether the VAT reg no (VAT registration number) is required to be filled out on the sales invoice using the VAT code given. Options are No/Yes. If yes, it is not allowed to confirm the sales invoice if the given VAT code is used on the invoice and the field VAT reg no is empty. This setting is primarily intended to check that the VAT register code is also filled in when submitting an invoice to a member state of the European Union for VAT, so that there are no problems later on in justifying the use of the 0% VAT rate or, for example, when submitting a VD report.
- **INVOICE DATAFIELD** - determines whether the corresponding data field must be filled in when using this VAT code on the sales invoice (the code of the data field is entered).
- **REVERSE VAT %** - % rate of reverse charge. Based on this, the amount of reverse charge is calculated and added to the financial transaction of the invoice, purchase invoice or expense.
- **REVERSE ACCOUNT D** - in the financial transaction of the reverse charge debit account. For example, in the case of a purchase, input VAT is calculated as reverse charge.
- **REVERSE ACCOUNT K** - corresponding account of REVERSE ACCOUNT D.
- **CORR. ACC.** - account used to balance VAT if you want to periodize VAT to a future period (use, e.g. for cash-based VAT calculation) - the future period must be indicated on the invoice in the „VAT time“ field.
- **SALES VAT OBJECT** - an object to which the amount of VAT calculated on the basis of the given VAT code is transferred to the financial transaction arising on the basis of the same invoice. If this field is left empty, when creating a transaction, the program will search for the corresponding object in the System settings. See 4.2 System settings. It is filled in if, for some reason, you want to add the VAT amount to the SALES VAT ACCOUNT as well as to the accounting of some objects.
- **PURCHASE VAT OBJECT** - an object to which the amount of VAT calculated on the purchase invoice and expense is transferred based on the given VAT code to the financial transaction arising on the basis of the same transaction. If this field is left empty, when creating a transaction, the program will search for the corresponding object in the System settings. It is filled in if, for some reason, you want to add the VAT amount to the PURCHASE VAT ACCOUNT as well as to the accounting of some objects.
- **FISCAL BLOCK** - used in cases where fiscal devices must be used in cash register systems (POS). For example, in retail sales in Latvia and Lithuania. The content of the field depends on the fiscal device used.
- **DOC.TRANSPORT PREFERS** - options Yes/No. You can specify which VAT code the transport of

documents uses.

- **PURCHASE VAT PROPORTION** - in the case of VAT proportion, the % of the proportion and 50 for VAT on cars.
- **PL VAT COST ACCOUNT** - the account where the part of the VAT that can be counted as an expense goes. If the field is empty, this amount goes to the same account as the expense in the given line.
- **TYPE** - type of special arrangement. Options TAVA, OSS, IOSS, STANDARD.
- **TYPE OF VAT RATE** - options Standard/Reduced
- **COUNTRY** - selectable from the drop-down menu
- **CLOSED** - you can close the VAT code
- **EXTRA INFO** - additional information of the VAT code, a special arrangement that can be selected after the field name. Values can be set from **System settings**.

FINANCE SETTINGS

VAT Code Extra Info

special arrangement



In Estonian conditions, there must be a „special arrangement“ option, because it may be needed for the correct generation of KMD INF1. The option of special arrangement is definitely indicated if the given VAT code indicates operations performed on the basis of the special arrangement specified in the Value Added Tax Act. For example, 22% turnover on the basis of the special arrangement provided in § 41 and 42 of the VAT act.

- **DISTINCTNESS** - with drop-down options. Used when the given VAT code indicates operations for which distinctnesses must be shown in national reporting. The options come from the **Finance setting "VAT Code Distinctness"**, where you have to write the distinctness codes with commas and the VAT % that the transaction itself is taxed in parentheses.

DISTINCTNESS

01(22%)
01(9%)
02(22%)
03
11
12

FINANCE SETTINGS

VAT Code Distinctness

01(22%),01(9%),02(22%),03,11,12



It is important to indicate the VAT rate at which the transaction is actually taxed in parentheses

behind the distinctness code, so that the tax rate cell in the KMD INF A section is filled in correctly. For example, distinctness 01 means the transaction with the distinctness code, and in parentheses (22%) means the transaction itself was taxed with VAT%. For example, in the case of the sale of second-hand goods, the VAT rate on the invoice is 0%, but the profit is taxed at 22%, so in this case the difference 01(22%) goes to VAT code. However, if used books are sold, then 01(9%).

2.1 Examples of how to set up distinctness codes

Distinctness 01. If it is a sale of second-hand goods (taxation of the margin VAT act § 41 and 42), the VAT code card must have **Extra info > erikord (special arrangement) active** and the correct VAT rate must be selected as the **distinctness code**, with which the transaction is taxed.

Special arrangements (0%) for imposing VAT on resale of second-hand goods, art, etc (VAT act § 41 and 42) (profit taxation 22%)

CODE	15
DESCRIPTION	Special arrangements (0%) for imposing VAT on resa
VAT%	0
SALES VAT ACCOUNT	»
PURCHASE VAT ACCOUNT	»
SALES CASH METHOD ACCOUNT	»
PURCHASE CASH METHOD ACCOUNT	»
SL PREPAYMENT ACCOUNT 1	212102 »
SL PREPAYMENT ACCOUNT 2	212371 »
PL PREPAYMENT ACCOUNT 1	»
PL PREPAYMENT ACCOUNT 2	»
VAT REG NO	▼
INVOICE DATAFIELD	
REVERSE VAT %	
REVERSE ACCOUNT D	»
REVERSE ACCOUNT K	»
CORR. ACC.	»
SALES VAT OBJECT	»
PURCHASE VAT OBJECT	»
FISCAL BLOCK	
PEPPOL CATEGORY ID	»
DOC.TRANSPORT PREFERS	▼
PURCHASE VAT PROPORTION	
PL VAT COST ACCOUNT	»
TYPE	▼
TYPE OF VAT RATE	▼
COUNTRY	▼
CLOSED	▼
EXTRA INFO	<input checked="" type="checkbox"/> erikord
DISTINCTNESS	01(22%) ▼

On the INF A part of the VAT declaration, the correct tax rate appears in box 7 and the code of the distinctness in box 10:

A-osa ANDMED VALJASTATUD ARVETE KOHTA				Maksustamisperiood 7				Maksustamisperioodil vormi KMD lahtrites 1 ja 2 kajastatud maksustatav käive			
Nr	Tehingu- partneri registri- või isikukood	Tehingupartneri nimi	Arve number	Arve kuupäev	Arve kogusumma ilma käibemaksuta	Maksusumäär	Arvel märgitud kauba ja teenuse maksustatav väärtus *				
1			100636			22enikord					

Distinctness 02. If it is a domestic reverse charge (turnover of immovables, metal waste, precious metal and metal products; VAT act § 41.1), then you have to mark on the card of the VAT code **Extra info > erikord (special arrangement) inactive** and the correct VAT rate must be selected as the **distinctness code**, with which the transaction is taxed

Special arrangement 0% turnover of immovables, scrap metal and precious metal (VAT act § 41´)

CODE

18

DESCRIPTION

Special arrangement 0% turnover of immovables, sci

VAT%

0

SALES VAT ACCOUNT

PURCHASE VAT ACCOUNT

SALES CASH METHOD ACCOUNT

PURCHASE CASH METHOD ACCOUNT

SL PREPAYMENT ACCOUNT 1

212102

SL PREPAYMENT ACCOUNT 2

212371

PL PREPAYMENT ACCOUNT 1

PL PREPAYMENT ACCOUNT 2

VAT REG NO

No

INVOICE DATAFIELD

REVERSE VAT %

REVERSE ACCOUNT D

REVERSE ACCOUNT K

CORR. ACC.

SALES VAT OBJECT

PURCHASE VAT OBJECT

FISCAL BLOCK

PEPPOL CATEGORY ID

DOC.TRANSPORT PREFERS

PURCHASE VAT PROPORTION

PL VAT COST ACCOUNT

TYPE

TYPE OF VAT RATE

COUNTRY

CLOSED

EXTRA INFO

erikord

DISTINCTNESS

02(22%)

On the INF A part of the VAT declaration, the correct tax rate appears in box 7 and the code of the distinctnessd in box 10:

A-osa ANDMED VÄLJASTATUD ARVETE KOHTA									
Aasta 2024					Maksustamisperiood 5				
Nr	Tehingu- partneri registri- või isikukood	Tehingupartneri nimi	Arve number	Arve kuupäev	Arve kogusumma ilma käibemaksuta	Maksumäär	Arvel märgitud kauba ja teenuse maksustatav väärtus *	Maksustamisperioodil vormi KMD lahtrites 1 ja 2 kajastatud maksustatav käive	Erisuse kood
1						22			02

Read more about reverse charge of metal products <https://wiki.directo.ee/et/metall>

Distinctness 12. If it is a domestic reverse charge (acquisition of immovables, metal waste, precious metal and metal products; KMS § 41.1) then you have to mark on the card of the VAT code **Extra info > special arrangement (erikord) inactive** and the **distinctness code** must be selected as 12. It is also important to indicate the reverse charge rate and reverse charge accounts.

VAT act § 41', special arrangements for imposing value added tax on immovables, scrap metal, precious metal and metal products

CODE

21

DESCRIPTION

VAT act § 41', special arrangements for imposing val

VAT%

0

SALES VAT ACCOUNT

PURCHASE VAT ACCOUNT

SALES CASH METHOD ACCOUNT

PURCHASE CASH METHOD ACCOUNT

SL PREPAYMENT ACCOUNT 1

SL PREPAYMENT ACCOUNT 2

PL PREPAYMENT ACCOUNT 1

PL PREPAYMENT ACCOUNT 2

VAT REG NO

No

INVOICE DATAFIELD

REVERSE VAT %

22

REVERSE ACCOUNT D

212368

REVERSE ACCOUNT K

212378

CORR. ACC.

SALES VAT OBJECT

PURCHASE VAT OBJECT

FISCAL BLOCK

PEPPOL CATEGORY ID

DOC.TRANSPORT PREFERS

No

PURCHASE VAT PROPORTION

PL VAT COST ACCOUNT

TYPE

TYPE OF VAT RATE

COUNTRY

CLOSED

EXTRA INFO

erikord

DISTINCTNESS

12

Read more about reverse charge of metal products <https://wiki.directo.ee/et/metall>

3. Paster of VAT code

Add fields that are important to the documents in the VAT paster.

1) Selecting the VAT code (opening the paster window)

No	Account	Object	Project	User	Description	Total	VAT code	VAT	Item	Qty	StockID	SN	PID
1	125421				Office equipment	1000.00	1	220.00					
2													
3													

2) Selecting the VAT code fields

Close

Refresh

Clear fields

Choose columns

Save view

Settings

Print

Paste VAT code

OPEN Code

Add new

Browse

Rows: 20

CODE

DESCRIPTION

VAT%

0

Ei ole käive

0

1

Operations and transactions taxed at a rate of 22%

22

3) Making data fields visible

