

Microsoft Dynamics® AX

Country-specific update for the United Kingdom

White Paper

This white paper describes the country-specific update released for the United Kingdom in Cumulative Update 3 (CU-3) for Microsoft Dynamics AX 2012. See Microsoft Knowledge Base article [2617966](#) for hotfix download information.

Date: November 2011

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Introduction

This white paper describes a Microsoft Dynamics® AX feature, released in Cumulative Update 3 (CU-3), that is specific to users in the United Kingdom.

For more information about other features that apply to the United Kingdom, refer to the Help. Information that is specific to the United Kingdom includes (GBR) in the title.

The Construction Industry Scheme for the United Kingdom

The Construction Industry Scheme (CIS) is a scheme issued by Her Majesty's Revenue & Customs (HMRC) in the United Kingdom. CIS specifies the rules that contractors or deemed contractors in the construction industry must follow when they make payments to construction work subcontractors. Deemed contractors are organizations whose core business is not construction, but whose annual spending on construction is high.

The contractors and deemed contractors must:

- Register with HMRC as contractors or deemed contractors.
- Verify the employment status of the subcontractors, verify whether the subcontractors are registered with HMRC, and verify the tax status of the subcontractors.
- Make payments to the subcontractors and make the deductions that are specified under CIS.
- Pay the amount deducted from the subcontractors' payments to HMRC.
- Issue payments and deductions statements to the subcontractors.
- Send a monthly return statement to HMRC with the details of the payments and deductions.
- Maintain records of the details of the payments and deductions. The records must include the following information:
 - The gross amount of each payment made to a subcontractor (excluding VAT).
 - The amount of any deductions that the contractor withheld from a payment before making the payment.
 - The amount of any material costs (excluding VAT) if the contractor made a deduction.

Setup for CIS deductions from subcontractor payments

Complete the following setup tasks before you make CIS deductions from subcontractor payments:

- Set up a withholding tax authority for HMRC with the report layout specified as **English report layout** in the **Withholding tax authorities** form. For more information, see "(THA, SAU, GBR, IRL) Set up a withholding tax authority" in the Help.
- Create a settlement period for CIS with monthly intervals in the **Withholding tax settlement periods** form. You must also add the HMRC tax authority to the settlement period. For more information, see "(THA, SAU, GBR, IRL) Set up a withholding tax settlement period and attach a withholding tax code" in the Help.
- Create an item withholding tax group for CIS in the **Item withholding tax groups** form, and assign the withholding tax codes that you created for CIS to the group. For more information, see "(THA, SAU, GBR, IRL) Create an item withholding tax group and attach a withholding tax code" in the Help.

You must also complete the following setup procedures before you make CIS deductions from subcontractor payments:

- [Set up a legal entity as a CIS contractor](#)
- [Set up a ledger posting group for CIS](#)
- [Set up withholding tax codes and groups for CIS](#)
- [Set up a vendor as a CIS subcontractor](#)
- [Create a released product with withholding tax information](#)
- [Set up withholding tax information for an existing released product](#)
- [Set up withholding tax information for a procurement category hierarchy](#)

Set up a legal entity as a CIS contractor

Use the **Legal entities** form to set up a legal entity as a CIS contractor by specifying the account reference number. For more information, see "Legal entities (form)" in the Help.

1. Click **Organization administration > Setup > Organization > Legal entities** to open the **Legal entities** form.
 –or–
 Click **General ledger > Setup > Organization > Legal entities** to open the **Legal entities** form.
2. Select or create a legal entity. For more information, see "Create or modify a legal entity" in the Help.
3. Click the **Statutory reporting** FastTab, and then in the **Account office reference** field, enter the registration number for the legal entity that is issued by HMRC.
4. Close the form.

Set up a ledger posting group for CIS

Use the **Ledger posting groups** form to set up a ledger posting group for CIS. For more information, see "(THA, SAU) Withholding tax ledger posting groups (form)" in the Help.

1. Click **General ledger > Setup > Withholding tax > Ledger posting groups** to open the **Ledger posting groups** form.
2. Create a new ledger posting group. For more information, see "(THA, SAU, GBR, IRL) Set up a ledger posting group and attach it to a withholding tax code" in the Help.
3. In the **Withholding tax payable** field, select a ledger account to post withholding tax that is calculated for any purchase. You must select an account with a **Posting type** of **Withholding tax**.
4. In the **Withholding tax receivable** field, select an offset type ledger account to post the withholding tax that is deducted from a customer's purchase or sales order. You must select an account with a **Posting type** of **Withholding tax**.
5. In the **Withholding tax settlement** field, select a ledger account to post the withholding tax settlement amount.
6. Close the form.

Set up withholding tax codes and groups for CIS

Use the **Withholding tax codes** and **Withholding tax values** forms to set up withholding tax codes for CIS and specify the deduction rates. You must set up withholding tax codes for the deduction rates that can be applied to the subcontractors based on the verification of the subcontractors with HMRC. The following deduction rates can be applied:

- Gross deduction – No deductions are made from the payments.

- Standard deduction – Deductions are made from the payments at the standard rate of 20 percent.
- Higher deduction – Deductions are made from the payments at a higher rate of 30 percent. This rate is applied when the subcontractor is not registered or could not be verified with HMRC.

For more information, see "Withholding tax codes (form)" and "Withholding tax values (form)" in the Help.

1. Click **General ledger > Setup > Withholding tax > Withholding tax codes** to open the **Withholding tax codes** form.
2. Create a withholding tax code.
3. In the **Withholding tax code** and **Withholding tax name** fields, enter the identifier and name for the withholding tax code.
4. In the **Currency** field, select the currency in which the withholding tax is to be paid.
5. In the **Settlement period** field, select the settlement period for the withholding tax code.
6. In the **Ledger posting group** field, select the ledger posting group for the withholding tax code.
7. In the **Origin** field, select the amount from which the withholding tax is calculated.
8. In the **Round-off** field, specify the rounding for this withholding tax code in the withholding tax currency.
9. In the **Rounding from** field, select the general rounding method from the following options:
 - **Normal** – The amount is rounded to the number of decimal points that is specified in the **Round-off** field.
 - **Downward** – The amount is rounded down to the number of decimal points that is specified in the **Round-off** field.
 - **Rounding-up** – The amount is rounded up to the number of decimal points that is specified in the **Round-off** field.
10. Click **Values** to open the **Withholding tax values** form.
11. In the **From date** and **To date** fields, enter the starting and ending dates of the period that the withholding tax code value applies to.
12. In the **Minimum limit** and **Upper limit** fields, enter the lower limit of the calculation base that the selected withholding tax code value applies to.
13. In the **Value** field, enter the tax percentage or the amount per unit of the withholding tax value code.
14. In the **Exclude %** field, enter the percentage by which to reduce the base for calculating the withholding tax.
15. Close the forms.

After you create the withholding tax codes, you can use the **Withholding tax groups** form to create withholding tax groups and assign the withholding tax codes that you created for CIS to the group. For more information, see "Withholding tax groups (form)" in the Help.

You can also attach a withholding tax group to a vendor or customer. For more information, see "(THA, GBR, IRL) Set up a withholding tax group and attach it to a vendor and customer" in the Help.

Set up a vendor as a CIS subcontractor

Use the **Vendors** form to set up a vendor as a CIS subcontractor by entering the verification information received from HMRC. For more information, see "Vendors (form)" in the Help.

You must verify the status of the subcontractor with HMRC before setting up the vendor as a CIS subcontractor.

1. Click **Accounts payable > Common > Vendors > All vendors** to open the **All vendors** list page.
–or–
Click **Procurement and sourcing > Common > Vendors > All vendors** to open the **All vendors** list page.
2. Double-click a vendor account, or on the **Action Pane**, click the **Vendor** tab, and then click **Vendor** to create a vendor account. For more information, see "Create a vendor account" in the Help.
3. Click the **Construction industry scheme** FastTab.
4. In the **Status** field, select the status of the subcontractor as received from HMRC:
 - **None** – This is the default option for a new vendor who is not a registered subcontractor with CIS.
 - **Gross** – No deductions are made from the payments.
 - **Standard** – Deductions are made from the payments at the standard rate of 20 percent.
 - **Higher** – Deductions are made from the payments at a higher rate of 30 percent. This rate is applied when the subcontractor is not registered or could not be verified with HMRC.
5. In the **Verification number** field, enter the verification number issued by HMRC when you verify the CIS status of a subcontractor.
6. In the **Verification date** field, enter the date when the CIS status of the subcontractor is verified by HMRC.
7. In the **Unique tax payer reference (UTR)** field, enter the reference number allocated to the subcontractor to pay the income tax under self-assessment.
8. In the **Company registration number (CRN)** field, enter the registration number of the subcontractor issued by the registrar of companies.
9. In the **National insurance number (NINO)** field, enter the registration number allocated to the subcontractor to pay National Insurance contributions.
10. Click the **Invoice and delivery** FastTab, and then in the **Sales tax group** field, select a sales tax group for the subcontractor.
11. Select the **Calculate withholding tax** check box if the withholding taxes for the vendor payment transactions are calculated in the journals.
12. In the **Withholding tax group** field, select the withholding tax group that contains the withholding tax codes with the CIS deduction rate that applies to the subcontractor.
Note: The **Withholding tax group** field is available only if you select the **Calculate withholding tax** check box.
13. Close the form.

Create a released product with withholding tax information

Use the **New released product** form to create a released product for which withholding tax is calculated and select the default item withholding tax group that applies to the released product. For more information, see "New released product (form)" in the Help.

1. Click **Product information management > Common > Released products** to open the **Released products** list page. On the **Action Pane**, click **Product** to open the **New released product** form.
2. In the **Product type** field, select **Item** or **Service**.
3. In the **Product subtype** field, select a subtype for the product from the following options:

- **Product** – A fixed product definition that does not have any variants.
 - **Product master** – A product definition that forms the basis of product variants.
4. In the **Product number** field, enter the identification of the product. The **Product name**, **Search name**, and **Item number** fields are updated with the product number. You can also enter a different product name, search name, and item number.
 5. Under the **Purchase taxation** field group, select the **Calculate withholding tax** check box to specify that the withholding tax is calculated for the purchase of the item.
 6. Under the **Purchase taxation** field group, in the **Item withholding tax group** field, select the item withholding tax group that applies to the purchase of the item.
- Note:** The **Item withholding tax group** field under the **Purchase taxation** field group is available only if you select the **Calculate withholding tax** check box under the **Purchase taxation** field group.
7. Click **OK** to create the released product for which the withholding tax will be calculated.

Set up withholding tax information for an existing released product

Use the **Released products** form to specify whether the withholding tax is calculated for an existing released product and select the default item withholding tax group that applies to the released product. For more information, see “Released product details (form)” in the Help.

1. Click **Product information management > Common > Released products** to open the **Released products** list page.
2. Double-click a released product to open the **Released product details** form.
3. Click the **Purchase** FastTab, and then select the **Calculate withholding tax** check box to specify that the withholding tax is calculated for the purchase of the item.
4. In the **Item withholding tax group** field, select the item withholding tax group that applies to the purchase of the item.

Note: The **Item withholding tax group** field is available only if you select the **Calculate withholding tax** check box.

5. Close the form.

Set up withholding tax information for a procurement category hierarchy

Use the **Procurement categories** form to specify whether the withholding tax is calculated for a procurement category hierarchy and select the default item withholding tax group that applies to the products in the selected category. For more information, see “Procurement categories (form)” in the Help.

1. Click **Procurement and sourcing > Setup > Categories > Procurement categories** to open the **Procurement categories** form.
2. Select or create a procurement category. For more information, see “Key tasks: Set up and maintain procurement category hierarchies” in the Help.
3. Click the **Item tax groups** FastTab.
4. Select the **Calculate withholding tax** check box to specify that the withholding tax is calculated for the products in the selected category.
5. In the **Item withholding tax group** field, select the item withholding tax group that applies to the products in the selected category.

Note: The **Item withholding tax group** field is available only if you select the **Calculate withholding tax** check box.

6. Close the form.

Working with CIS

Complete the following procedures to make CIS deductions from the payments made to subcontractors, settle the withholding taxes, generate the monthly CIS report for a subcontractor and HMRC, and correct posted withholding taxes:

- [Make a payment to a subcontractor and settle an invoice](#)
- [Generate the monthly CIS statement for a subcontractor](#)
- [Settle the withholding taxes and generate the monthly CIS statement for HMRC](#)
- [Correct posted withholding taxes](#)

Make a payment to a subcontractor and settle an invoice

Use the **Journal voucher** form to make payments to a subcontractor with deductions specified by CIS and to settle the invoices. When you make the payments, the deductions are calculated and deducted based on the CIS deduction rate specified for the vendor and the withholding tax group that is assigned to the vendor. For more information, see "Journal voucher - Vendor payment journal (form)" in the Help.

After you settle the invoice, you can generate the withholding tax slip with the details of the payments and CIS deductions.

You must create and post a purchase order before you can make a payment and settle an invoice. For more information, see "Create a purchase order" and "Key tasks: Vendor invoices" in the Help.

To make a payment, settle an invoice, and print the withholding tax slip, you can:

- Make a payment to the subcontractor with the deductions specified by CIS and settle the invoice in the **Journal voucher** form. For more information, see "Key tasks: Vendor payments and settlements" in the Help.
- Print the withholding tax slip after you make the payment and settle the invoice. In the **Journal voucher** form, click **Print > Withholding tax slip**. The withholding tax slip includes information about the payment made to the subcontractor and the deductions.

Generate the monthly CIS statement for a subcontractor

Use the **Vendor monthly CIS statement** report to generate the monthly CIS statement for a subcontractor. The monthly CIS statement includes the details of the payments made to the subcontractor and details of the deductions.

1. Click **Accounts payable > Reports > Transactions > Vendor > Vendor monthly CIS statement** to open the **Vendor monthly CIS statement** report.
2. In the **From date** and **To date** fields, enter the starting and ending dates of the period that the CIS statement is generated for.
3. Select the **Duplicate** check box to print a duplicate of the CIS statement.
4. In the **Vendor account** field, select the subcontractor for which the CIS statement is generated.
5. Click **OK** to generate the report.

Settle the withholding taxes and generate the monthly CIS statement for HMRC

Use the **Withholding tax payments** form to settle the withholding taxes to a withholding tax settlement account. The amount settled to the withholding tax settlement account is the amount to be paid to HMRC. You can use the **CIS monthly statement** report to generate the monthly return statement with the details of the payments and deductions. The monthly return statement is submitted to HMRC.

1. Click **General ledger > Periodic > Withholding tax > Withholding tax payment** to open the **Withholding tax payments** form.

2. In the **Settlement period** field, select the withholding tax settlement period for which the withheld tax is to be settled.
3. In the **From date** field, select the starting date of the withholding tax settlement period.
4. In the **Transaction date** field, select the posting date of the withholding tax settlement.
5. Select the **Update** check box to settle and post the withholding tax to the withholding tax settlement account. If you clear the **Update** check box, the withholding tax is not posted and only the CIS monthly statement report is generated.
6. Click **OK** to settle the withholding taxes and open the **CIS monthly settlement** report.
Note: The **CIS monthly statement** report opens only if the report layout specified for the withholding tax authority for the settlement period is selected as **English report layout** in the **Withholding tax authorities** form.
7. In the **From date** and **To date** fields, enter the starting and ending dates of the period that the report is to be generated for.
8. Select the **Generate file** check box to generate the CIS monthly statement in the specified format.
9. In the **File name** field, enter the path and name for the CIS monthly statement to be generated.
10. Click **OK** to generate the CIS monthly statement.

Correct posted withholding taxes

Use the **Closed transaction editing in several currencies**, **Vendors**, and **Journal voucher** forms to correct the posted withholding taxes. For more information, see "Closed vendor transaction editing in several currencies (form)" in the Help.

1. In the **Closed transaction editing in several currencies** form, reverse the settlement that has incorrect posted withholding taxes. For more information, see "Reverse settlements" in the Help.
2. In the **Vendors** form, correct the CIS status of the subcontractor. For more information, see [Set up a vendor as a CIS subcontractor](#).
3. In the **Journal voucher** form, make a payment with the correct withholding tax to the subcontractor. For more information, see [Make a payment to a subcontractor and settle an invoice](#).

Modified forms

This section contains information about modified forms used for making CIS deductions from the payments made to subcontractors.

Form and locator	Description
Legal entities (form)	Statutory reporting FastTab
Organization administration > Setup > Organization > Legal entities	Account office reference field
–or–	Enter the registration number for the legal entity that is issued by HMRC.
General ledger > Setup > Organization > Legal entities	

Vendors (form)

Accounts payable > Common > Vendors > All vendors. Double-click a vendor.

–or–

Procurement and sourcing > Common > Vendors > All vendors. Double-click a vendor.

Construction industry scheme FastTab

View or modify CIS information for the selected vendor.

Status field

Select the status of the subcontractor as received from HMRC from the following options:

- **None** – This is the default option for a new vendor who is not a registered subcontractor with CIS.
- **Gross** – No deductions are made from the payments.
- **Standard** – Deductions are made from the payments at the standard rate of 20 percent.
- **Higher** – Deductions are made from the payments at a higher rate of 30 percent. This rate is applied when the subcontractor is not registered or could not be verified with HMRC.

Verification number field

Enter the verification number issued by HMRC when you verify the CIS status of a subcontractor.

Verification date field

Enter the date when the CIS status of the subcontractor is verified by HMRC.

Unique tax payer reference (UTR) field

Enter the reference number allocated to the subcontractor to pay the income tax under self-assessment.

Company registration number (CRN) field

Enter the registration number of the subcontractor issued by the registrar of companies.

National insurance number (NINO) field

Enter the registration number allocated to the subcontractor to pay National Insurance contributions.

New released product (form)

Product information management > Common > Released products > Product

Calculate withholding tax field

Select this check box to specify that the withholding tax is calculated for the purchase of the item.

Item withholding tax group field

Select the item withholding tax group that applies to the purchase of the item.

Note: The **Item withholding tax group** field is available only if you select the **Calculate withholding tax** check box.

Released product details (form)

Product information management > Common > Released products. Double-click a released product.

Purchase FastTab**Calculate withholding tax** field

Select this check box to specify that the withholding tax is calculated for the purchase of the item.

Item withholding tax group field

Select the item withholding tax group that applies to the purchase of the item.

Note: The **Item withholding tax group** field is available only if you select the **Calculate withholding tax** check box.

Withholding tax codes (form)

General ledger > Setup > Withholding tax > Withholding tax codes

Inquiries button

Open a menu with the following item:

- **Included in withholding tax item groups** – Open the **Item withholding tax groups** form, where you can view the item withholding tax groups that contain the selected withholding tax code.

(THA, GBR) Item withholding tax groups (form) General ledger > Setup > Withholding tax > Item withholding tax groups	Note: This form is available only to legal entities whose primary address is in Thailand or the United Kingdom.
(THA, GBR) Withholding tax payments (form) General ledger > Periodic > Withholding tax > Withholding tax payment	Note: This form is available only to legal entities whose primary address is in Thailand or the United Kingdom.
Procurement categories (form) Procurement and sourcing > Setup > Categories > Procurement categories	Item tax groups FastTab Assign the item sales tax group and item withholding tax group that applies to the purchase of products in the selected category. Calculate withholding tax field Select this check box to specify that the withholding tax is calculated for the products in the selected category. Item withholding tax group field Select the item withholding tax group that applies to the products in the selected category. Note: The Item withholding tax group field is available only if you select the Calculate withholding tax check box.
Vendor invoice (form) Accounts payable > Common > Vendor invoices > Invoice > Vendor invoice	Withholding tax group field The withholding tax group that is assigned to the vendor in the Vendors form. Item withholding tax group field The item withholding tax group that is assigned to the item if an item line is created or that is assigned to the procurement category if a procurement category line is created.
Journal voucher - Vendor payment journal (form) Accounts payable > Journals > Payments > Payment journal > Lines	Print button Print reports for the payment lines, pro forma invoices for prepayments, and copies of payments. The following option is available: <ul style="list-style-type: none"> • Withholding tax slip – Generate and print the withholding tax slip for the selected journal line.
(THA, SAU, GBR) Withholding tax ledger posting groups (form) General ledger > Setup > Withholding tax > Ledger posting groups	Withholding tax payable field Select a ledger account to post withholding tax that is calculated for a purchase. You must select an account with a Withholding tax posting type. Withholding tax receivable field Select an offset type ledger account to post the withholding tax that is deducted from a customer's purchase or sales order. You must select an account with a Withholding tax posting type. Withholding tax settlement field Select a ledger account to post the withholding tax settlement amount.

Reports

This section contains information about the reports used to generate the CIS monthly statement for subcontractors and HMRC.

Report and locator	Description
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Vendor monthly CIS statement
(TaxWithholdSlip)

Accounts payable > Reports > Transactions > Vendor > Vendor monthly CIS statement

From date field

Enter the starting date of the period that the CIS statement is generated for.

To date field

Enter the ending date of the period that the CIS statement is generated for.

Duplicate field

Select this check box to print a duplicate CIS statement.

Vendor account field

Select the subcontractor that the CIS statement is generated for.

CIS monthly statement
(TaxWithholdVendStmtCIS)

General ledger > Periodic > Withholding tax > Withholding tax payment. Enter the required information in the fields, and then click **OK**.

–or–

General ledger > Inquiries > Tax > Posted withholding tax settlements > Print report.

From date field

Enter the starting date of the period that the report is generated for.

To date field

Enter the ending date of the period that the report is generated for.

Generate file field

Select this check box to generate the CIS monthly statement in the specified format.

File name field

Enter the path and name for the file to be generated.

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