

VAT on Advance Payments with Multiple Tax Rates

Problem: How to decrease the output VAT previously recognized on an advance payment?

Solution: Create an Output VAT Transaction to decrease the output VAT previously recognized on an advance payment.

Assume you have received an **advance payment of AED 1,000 (VAT inclusive at 5%)**, and you need to reduce the output VAT previously recognized for this advance.

Bank Receipt NNBR26-00000014 from 7/15/2026

Main

Reconciliation Statuses of Bank Documents

Balance of Employee Business Expenses

Statement of Mutual Settlements

Post and close

Save

Post

Dr

Cr

Generate -

Settings

Print -

More actions -

Main

Payment Details (1)

Bank Charges

Additional Information

Add

Pick

Fill

Search (Ctrl+F)

x

More actions

#	Contract	Advance	Document	Accounts Amount	Accounts Rate	Accou...	Payment Amount (AED)	VAT, %	VAT Amount (AED)	VAT Amount (AED)	Order
1	# 345S from (AED)	☒	Not Applicable	1,000.00	1.000000	1	1,000.00	5%	47.62	47.62	

The accounting entries are as follows:

Dr Bank Accounts — Cr Prepayments from Customers — AED 1,000

Dr VAT Accrued on Prepayments Received — Cr Current VAT Payable — AED 47.62

Bank Receipt NNBR26-00000014 from 7/15/2026

Document's Registers Records

Accounting Register "General Ledger"

Period	Account Dr	Extra Dimension Dr	Quantity Dr	Account Cr	Extra Dimension Cr	Quantity Cr	Amount
Entity			Currency Dr			Currency Cr	Accounting Currency
Line Number	Department Dr		Amount (Cur.) Dr	Department Cr		Amount (Cur.) Cr	Content
7/15/2026 6:22:02 PM		credit card, 123456789, in NBD			Secamare		1,000
	Bank Accounts	Payment from Customers (Sale of Goods, Works, Services)	AED	Prepayments from Customers	# 345S from (AED)	AED	AED
1			1,000			1,000	Appearance of customer's advance
7/15/2026 6:22:02 PM		Secamare			VAT		47.62
	VAT Accrued on Prepayments Received	Bank Receipt NNBR26-00000014 from 7/15/2026	AED	Current VAT Payable	Tax	AED	AED
2			47.62			47.62	Output VAT on Prepayments Received

Steps to Decrease the Output VAT

1. Go to **Taxes Tax Documents Output VAT Transactions**.

← → ☆ Output VAT Transaction NNOVT26-0000002 dated 7/15/2026 6:22:27 PM

Post and close Save Post Dr Cr Generate Print

Main Inventory and Services (1)

Add ↑ ↓

Search (Ctrl+F)

#	Item	Chara...	Batch	Quantity	UOM	Content	Price	Amount	VAT, %	VAT Amount	Total	Trans
1	Insurance			1.000	Pcs	Insuranc	1,000.00	1,000.00	5%	47.62	1,000.00	

5. Click **Post** to save and post the document.

The system will reverse the VAT previously recognized on the advance payment.

The following journal entry will be generated:

Dr Current VAT Payable — Cr VAT Accrued on Prepayments Received — AED 47.62

Output VAT Transaction NNOVT26-0000002 dated 7/15/2026 6:22:27 PM
Document's Registers Records

Accounting Register "General Ledger"

Period	Account Dr	Extra Dimension Dr	Quantity Dr	Account Cr	Extra Dimension Cr	Quantity Cr	Amount
Entity	Currency Dr		Currency Cr	Currency Cr		Currency Cr	Accounting Currency
Line Number	Department Dr		Amount (Cur.) Dr	Department Cr		Amount (Cur.) Cr	Content
7/15/2026 6:22:27 PM		VAT			Secamare		47.62
Nel New Trading Limited	Current VAT Payable	Tax	AED	VAT Accrued on Prepayments Received	Bank Receipt NNBR26-00000014 from 7/15/2026	AED	AED
1			47.62			47.62	Output VAT

Later, when the advance payment is allocated to the **Invoice Issued**, the system will recognize that the VAT on the advance payment has already been reversed.

← → ☆ Invoice NNINV26-0000013 dated 7/15/2026 6:27:32 PM *

Main Approvals Consolidated Analysis by Orders History of Approval History of Object Status Changes Taken Decisions Customer Order Processing Payment Terms Analysis More actions...

Post and close Save Post Dr Cr Generate Settings Print

Main Inventory and Services (2) Payment Terms Additional Information

Company: Secamare Number: NNINV26-0000013 From: 7/15/2026 6:27:32 PM

Contract: # 345S

Credit limits are not

Apply Retention

Emirate: Dubai

Order:

Project:

Comment:

Offset Prepayment

Entity: Nel New Trading Limited Company: Secamare

Prepayments

Select Refresh Ask Amount

Search (Ctrl+F)

More actions -

Document	Order	Amount (AED)	VAT, %	VAT (AED)
Bank Receipt NNBR26-00000014 from 7/15/2026		1,000.00	5%	

Total: 1,000.00 AED

OK Cancel More actions -

Tax Invoice: Generate Tax Invoice

Draft (changed 7/15/2026)

Not Posted Administrator

Discount: 0.00 % VAT: 23.81 AED

0.00 AED Total Due: 1,000.00 AED Prepayment: 1,000.00 AED

As a result, no additional posting to the *VAT Accrued on Prepayments Received* account will be generated during the allocation of the advance payment.

Invoice NNINV26-0000013 dated 7/15/2026 6:27:32 PM
Document's Registers Records

Accounting Register "General Ledger"

Period	Account Dr	Extra Dimension Dr	Quantity Dr	Account Cr	Extra Dimension Cr	Quantity Cr	Amount
Entity	Department Dr		Currency Dr	Department Cr		Currency Cr	Accounting Currency
Line Number			Amount (Cur.) Dr			Amount (Cur.) Cr	Content
7/15/2026 6:27:32 PM	Current Trade Receivables from Customers	Secamare		Sales of Services	Sales Revenue		476.19
Nel New Trading Limited		# 345S from (AED)	AED		Insurance		AED
1			476.19	Main Department	Furniture		Sales revenue
7/15/2026 6:27:32 PM	Current Trade Receivables from Customers	Secamare		Sales of Services	Sales Revenue		500
Nel New Trading Limited		# 345S from (AED)	AED		Translation		AED
2			500	Main Department	Furniture		Sales revenue
7/15/2026 6:27:32 PM	Prepayments from Customers	Secamare		Current Trade Receivables from Customers	Secamare		1,000
Nel New Trading Limited		# 345S from (AED)	AED		# 345S from (AED)	AED	AED
3			1,000			1,000	Prepayments
7/15/2026 6:27:32 PM	Current Trade Receivables from Customers	Secamare		Current VAT Payable	VAT		23.81
Nel New Trading Limited		# 345S from (AED)	AED		Tax	AED	AED
4			23.81			23.81	Output VAT

Thanks for being a Firstbit Customer!

#VATAdjustment #OutputVAT #AdvancePayment #Prepayment #OutputVATTransaction #VATDecrease #CurrentVATPayable
 #VATAccruedOnPrepaymentsReceived #TaxDocuments