

Receiving an Early-Payment Discount from a Supplier

When you receive a discount from a supplier (for example, a 10% reduction if you pay within a certain time), you must take specific steps when you pay their bill.

To set up:

- Create a new expense account (within your Chart of Accounts) with the following information:
- Name the account Discount (from suppliers)
- Leave the "Usual VAT Code" field blank

To enter a bill from a supplier who gives an early-payment discount

- Adjust the bill from a supplier as you enter it
- Your bill should show the non-discounted price for the items or services you are buying, but the VAT on the discounted price. As you assign the bill to an expense account in the detail area, QuickBooks calculates VAT for the non-discounted price. Therefore, manually edit the amounts in the VAT amt. column to show the VAT on the discounted price instead

For example, if you are entering a bill for £100 (net) and splitting it £75 to one account and £25 to another, and your early-payment discount is 10%, you would make these changes:

Expense Account	Net Amt.	VAT Amt.	Notes
Account 1	£75	£11.82	Not £13.13, as you would expect with 17.5% VAT
Account 2	£25	£3.93	Not £4.73, as you would expect with 17.5% VAT
Total	£100	15.75	Not £17.50, as you would expect with 17.5% VAT

To pay a bill from a supplier who gives an early-payment discount

How you pay the bill depends on whether you are paying within the early-payment discount period.

If you are not eligible for the early-payment discount and are paying the full amount, then continue to pay the bill as normal

If you are eligible for the early-payment discount and are paying the only the discounted amount:

1. From the **Suppliers** section, choose **Enter Bills**
2. Select the credit option at the top-left of the window
3. Enter the suppliers information as you normally would
4. In the first line of the detail area for the Expenses tab, select the **discount (from suppliers)** account
5. In the Net Amount column, enter the amount of the early-payment discount
 - a. Make sure there is no amount in the VAT Amt. column
6. Save the credit note
7. Pay the bill, making sure you assign the credit note to it
 - a. The credit note appears as an Existing Credit of your early payment discount