



## **Interest Charging**

### **Introduction**

Interest charging is an optional module that allows for the raising of additional invoices for interest against outstanding Sales Invoices that are overdue.

The module allows for the rate and charging of interest to be controlled by the user, with options to override what is charged at a Business, Landlord, Customer or Tenancy Agreement level.

The process is deliberately a manual system to avoid unnecessary costs and admin handling insignificant amounts of interest.

The module can be enabled in the company settings which will then require a new Licence fee to be obtained from Landmark Systems.

Please contact your Account manager before attempting to enable this option.

Please consult your professional advisors regarding any legal consequences for charging interest (or admin fees) Landmark Systems and its staff are not qualified to advise on the Legislation covering Finance charges and VAT.

### **Setting up**

Interest charging is managed from the Demand Processing section of the program keeping the control of raising invoices with those responsible for raising demands.

It is from this button that the default setting and entries are made.

The button provides 3 menu options :

Settings

Base Rates

Calculate interest.

## Global Settings

The Interest Charging settings are a series of defaults that can be applied at a company, landlord, and tenant or tenancy level.

Late Interest Charged	Checkbox option to indicate whether Late Interest is charged on the company, this is not so important at this level but when we come to Apply to.. it's significance will become clearer
Default over base	This is the default setting for the company setting of what charge over base rates is generally applied. The value entered represents the percentage rate which allows up to 2 decimal places. 3% is entered as 3.00
Default grace period	This is the elapsed time from the Invoice date of the Invoice for which Interest will not be calculated.
Apply to rent items only	This option allows interest to be charged only on the balances relating to Rent type Items on outstanding invoices. It is therefore important to ensure that Item codes are understood and carefully controlled
Last interest charged	This date field shows the last date interest was charged up to on the system. It is used when identifying

	the start period of the next charging period.
OK	Saves any changes made
Apply to...	Provides options to update the defaults entered to All Landlords, Tenants and/or Tenancies
Cancel	Abandons changes made
Exit	Closes the settings form

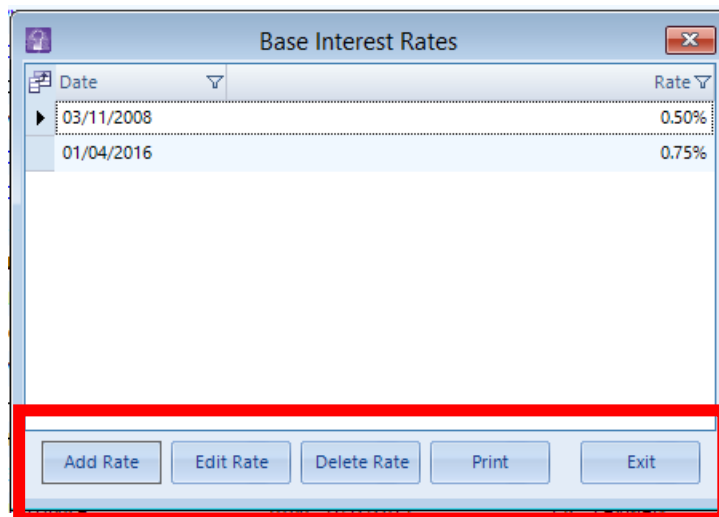
Once the Company standard defaults have been entered they may be used to update all Landlords, Tenants and/or Tenancies with the same values.

Individual records may be changed according to agreement on their own Late Interest settings tab, and the dedicated Interest charging Item code will need to be set for each Landlord.

### Base Rates

Bank base rates may be entered as and when they change so that when calculating the interest due the rates prevailing for each day will be applied.

The base rate screen provides options to enter a date and a rate, there can only be one rate per day. The value entered is the percentage figure, so 0.5% will be entered as 0.50



**Add Rate** allows a new rate to be entered. This will require a date that the rate is valid from and the rate to be used. There is no policing of the order that these rates are entered, or the dates used so please ensure that only one rate is entered for a given date.

**Edit Rate** allows an existing rate to be changed, both the date and rate can be changed if required, where interest has been charged covering the period of the rate it is recommended that rates are not changed.

**Delete Rate** an option to remove a rate set up in error is provided the same caution as for editing existing rates is provided.

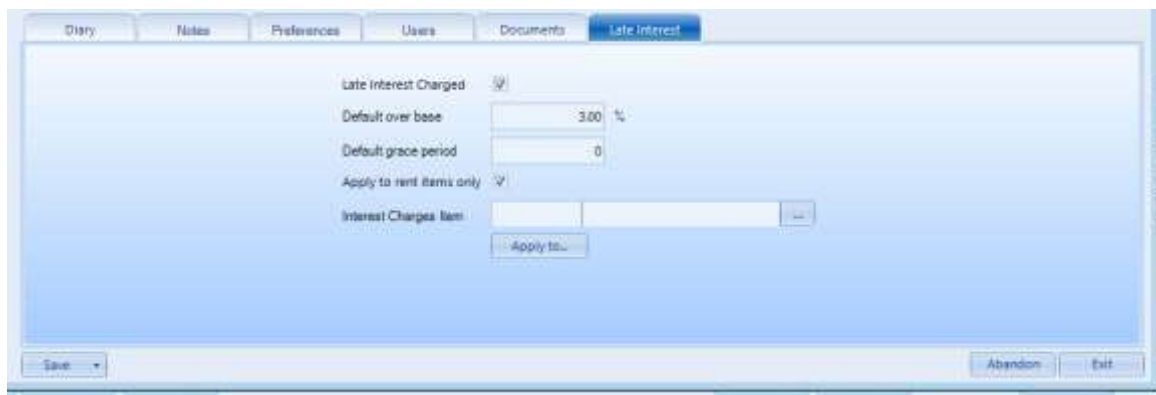
Edits and Deletions to rates could make it difficult to establish the basis on which the figures have been calculated, so an audit of any rate change is kept. This shows who made the change the exact time and the original value.

### **Calculate Interest**

Calculate interest provides the information required to decide which Tenants to raise interest against, before this can be carried out other settings must be entered which will be detailed first

### **Landlord Settings**

The Late interest section of the Landlord's record will show the global defaults where the Apply to Landlords has been used. Individual Landlords can be changed to have their own settings. They will need to have an Item code selected for use when generating Interest charges.



### **Options**

Landlords may be excluded from Late Interest Charging by removing the check from the late Interest Charged box.

### **Rates**

Individual Default over base rates may be set, alongside the default grace period for the Landlord's Tenants, and whether to charge rent on Rent items only.

## Item Code

The Item code is selected from the Landlord's accounts data and should be set to post the Interest charged to the appropriate income nominal code with the correct VAT rate applied. Interest Item types should be set to other.

The screenshot shows the 'Item Details' window with the following fields and values:

Code *	INT	Non Active	<input type="checkbox"/>
Type	Other (nominal)		
Long Description	Interest charge for late payment of rent		
Short Description...	Interest		
Nominals *	00605	Interest from Rentals	...
Enterprise			...
Analysis			...
Nominal Units		Decimals	2 eg. 10.25 Kgs
Item Units		Decimals	0
Multiplier	1.0000		
Price	0.00		
VAT*	E	Exempt	...
Stock			... New

The long description field is the text that will appear by default on any Sales Invoices raised.

The Nominal code is where the interest charged will be posted in the accounts.

An Enterprise code can be applied to the Interest Item code, where this is set this will override any other Enterprise code that has been set for the property linked to the Tenancy. Similarly an Analysis code can also be added to the Item code to override the property code linked to the Tenancy.

The Nominal Units field and decimals shows the information from the Nominal Code selected to post the Interest to.

Item Units allows a different unit type to be entered for the item than that used on the nominal code itself. In the case of Interest charges it is anticipated that these will both be empty.

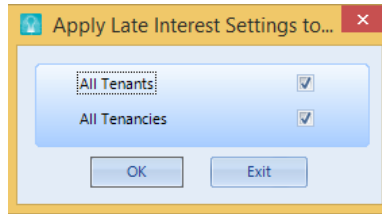
Multiplier is a factor that can be applied to convert any item Units into the Nominal Ledger unit type.

Price can be left as 0 in the case of Interest Items as this will be calculated from the interest rate prevailing and the amounts outstanding.

VAT code will depend on the VAT rules applying to the Landlord, this will be used and applied to any Invoice raised using the company settings.

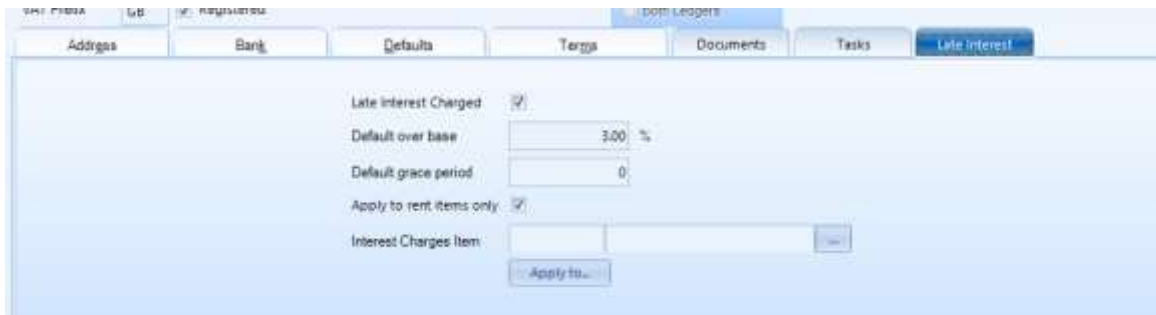
## Apply to..

The Apply to button on Landlords Interest Charges Settings provides the option to update the defaults of Tenants and Tenancies linked to the Landlord.



## Tenant Settings

The Tenant Late Interest charging settings are the same as the Landlord settings, and where the Apply to All Tenants was chosen at either the Company or Landlord level then the values will be the same.



For any Tenant that has special rates or terms the settings may be changed and these rates either applied to any linked tenancies or just used for the next tenancy created.

The item code for posting Interest to the Tenant can be set and may be different from the Landlords setting.

Where a change to the Landlord's settings is subsequently made and the change is to be applied to all tenants, all Tenants will be updated losing any special settings. This should therefore be treated with caution after the initial set up.

The 'Apply to' option on Tenants will only provide for updating Tenancies linked to the Tenant.

## Tenancy Settings

Each Individual tenancy will have its own setting and it is this that ultimately decides how much interest to charge on any Late Invoice linked to the tenancy.

Against the Tenancy settings may differ from that of its Tenant, Landlord or Company.

There is no option of Apply to on the Tenancy as there is no further level to set.

Diary   Notes   Accounts   Terms / Reviews   Demands   Charges   Documents   **Late Interest**

Late Interest Charged

Default over base  %

Default grace period

Apply to rent items only

Interest Charges Item   ...

Once these settings have been entered the system is ready to raise interest charges against late invoices.

### Raising Interest Invoices

Interest Invoices can be raised from either the Demands or Invoice section. These can be for All Landlords or a selection, the selection is made by choosing Landlords to include in the right hand Filter section.

Once the Landlords have been chosen the Interest Charges button can be selected and the Calculate Interest option chosen.

A screen will appear where you may first enter the date range for which you wish to charge interest. This will default to using the day after the last Invoice Charged date used as the Interest period start date and today's date as the end date. (When running the process for each landlord you will need to remember to reset this.)

Once the dates have been entered the Show Items option can be selected.

This will identify all Invoice that are outstanding and where interest should be charged, it will use the relevant settings to calculate how much Interest is due for each line from the outstanding invoices, these are displayed in a grid that can be sorted and filtered on each column.

Interest Charges Calculator

From: 01/04/2015 To: 30/06/2015 Show Items: Add Interest Date Range to generated Invoices Description Base Rates

Trans No	Date	Type	Tenant Code	Tenant Name	Due Date	Grace Period	Due Date With Grace	Gross	Net Interest	Total Interest	Description	
<input checked="" type="checkbox"/>	2120	01/02/2015	SI	UPHS	My Giny Uprill	10/02/2015	3	10/02/2015	41.87	0.42	3.42	01/02 to 28/02
<input type="checkbox"/>	2124	01/03/2015	SI	NEW	Mr & Mrs J Newman	01/03/2015	0	01/03/2015	500.00	4.99	4.99	01/03 to 31/03
<input type="checkbox"/>	2125	01/03/2015	SI	UPHL	Ms Giny Uprill	10/03/2015	0	10/03/2015	41.87	0.42	0.42	01/03 to 31/03
<input type="checkbox"/>	2130	17/03/2015	SI	WJK	Mr B Wilkinson	24/03/2015	0	24/03/2015	62.50	0.62	0.62	04/03 to 17/03
<input type="checkbox"/>	2131	11/03/2015	SI	WJK	Mr B Wilkinson	07/04/2015	0	07/04/2015	62.50	0.58	0.58	18/03 to 31/03
<input type="checkbox"/>	3	01/04/2015	SI	RCEP	J Rice	01/04/2015	0	01/04/2015	15000.00	11.51	11.51	01/04/11 to 31/03/12
<input type="checkbox"/>	10	01/04/2015	SI	ROSE	A Rose	01/04/2015	0	01/04/2015	300.00	0.96	0.96	01/04/11 to 30/04/11
<input type="checkbox"/>	2237	01/04/2015	SI	NEW	Mr & Mrs J Newman	01/04/2015	0	01/04/2015	500.00	4.99	4.99	01/04 to 30/04
<input type="checkbox"/>	2326	01/04/2015	SI	UPHL	Ms Giny Uprill	10/04/2015	0	10/04/2015	41.87	0.37	0.37	01/04 to 30/04
<input type="checkbox"/>	2333	01/04/2015	SI	HEP	Mr A Hearnell	10/04/2015	0	10/04/2015	3000.00	28.06	28.06	01/04 to 30/04
<input type="checkbox"/>	2341	01/04/2015	SI	WJK	Mr B Wilkinson	10/04/2015	0	10/04/2015	62.50	0.56	0.56	01/04 to 14/04
<input type="checkbox"/>	2332	01/04/2015	SI	FOUNT	Fourtan Forestry	15/04/2015	0	15/04/2015	500.00	4.22	4.22	Quarterly Rent 01/04
<input type="checkbox"/>	2341	15/04/2015	SI	WJK	Mr B Wilkinson	25/04/2015	0	25/04/2015	62.50	0.46	0.46	15/04 to 25/04
<input type="checkbox"/>	2330	30/04/2015	SI	EVANS	Evans Builders	30/04/2015	0	30/04/2015	480.00	3.26	3.26	01/04 to 30/04
<input type="checkbox"/>	2331	30/04/2015	SI	EVANS	Evans Builders	30/04/2015	0	30/04/2015	625.00	4.25	4.25	01/04 to 30/04

Print Generate Invoices Exit

The most important columns include a **check box** which is used to indicate whether to apply Interest to the invoice or not. This has a check box in the column header that allows you to

toggle between all selected and none selected. Individual rows may be checked or unchecked by clicking on them.

A range may be checked by clicking on the first row and while holding the shift key, click on the last row of the range. You may not uncheck a range using this method.

The **Trans No** column not only provides you with the transaction number of the entry but also a link to allow you to “Drilldown” and open the entry, edits to the entry will be reflected when you come back to the grid.

The **Net Interest** column shows how much interest will be charged for the item line this may be sorted to find the significant values.

A full listing of column names and their details is provided at the end of this report.

An option allows the description to be automatically appended with the date range of the interest charge.

Add Interest Date Range to generated invoices description

Base Rates may be set from the button at the top right of the screen if necessary, this is a short cut to the same Base Rate entry screen as on the Interest Charges button.

A simple report of everything as it is displayed on the screen can be produced by using the Print button at the bottom.

Once the rows have been identified, the Invoices may be generated by selecting the Generate Invoices button. This will create the invoices in turn, showing each so that they may be amended or abandoned.

The Invoices created will be posted to the relevant sets of accounts and will appear in the outstanding debts. Interest may be charged on interest invoices where tenancy settings allow!

List of available fields with their meanings in Interest Charges Calculator.

Those in **bold** type are shown by default.

<b>Check Box</b>	To indicate whether a charge of interest is to be made
<b>Trans No</b>	The transaction number of the item line
<b>Date</b>	The tax point date of the unpaid Invoice
<b>Type</b>	Type of transaction, SI = Sales Invoice



<b>Tenant Code</b>	Short code for the Tenant record
<b>Tenant Name</b>	Tenant's Name
<b>Due Date</b>	Date by which the Invoice should be paid
<b>Grace Period</b>	The number of days after the due date that is allowed before interest is to be charged
<b>Due Date with Grace Period</b>	This is the date from which Interest will be calculated, if not before the From date of the selection
<b>Gross</b>	The gross value of the outstanding amount, this is the amount on which the interest will be calculated. Interest is charged on VAT that is overdue
<b>Net Interest</b>	The calculated amount of interest to be charged
<b>VAT on Interest</b>	Any VAT to be applied to the interest figure calculated based on the VAT rate of the item used. whilst we would usually expect no VAT to be raised on Interest this option allows for an pro rata Admin charge which would attract VAT to be used
<b>Total Interest</b>	The net interest plus any VAT calculated on it.
<b>Description</b>	The detail from the item line attracting interest
<b>Late Interest Charged</b>	Date interest was charged up to previously
<b>Demand No</b>	Demand number used to generated Invoice
<b>Interest Charged From</b>	Date from which interest is being charged on the calculation
<b>Interest Charged To</b>	Date to which interest is being charged on the calculation
<b>Landlord Code</b>	Landlord Short Code
<b>Landlord Name</b>	Name of Landlord
<b>Last on Account date</b>	Indicates whether on account payment has been received and when
<b>Net</b>	Net Amount of Invoice Item outstanding

<b>On Account</b>	Value of On Account Payments held for Tenant
<b>Over Base %</b>	Percentage over base being applied to the Invoice
<b>Over Due</b>	Number of days that the Invoice has been over due
<b>Tenancy Code</b>	Short code of tenancy linked to Invoice
<b>VAT</b>	VAT on item being charged interest on. This IS included in the interest charge.
<b>VAT Rate on interest</b>	The rate of VAT is applied to the “interest” charge