To:
Computerized Accounts Systems Managements Program Producers

   Update: <u>Deployment for PCN874 File Generation based on PC874 file structure</u>

1.**General**

   Further to Tax Authority Senior Deputy Mr. Boaz Sofer's letter, you are required to deploy in anticipation of the generation of the PCN874 file which will be produced every month by all users, and will be electronically transferred to the Tax Authority.

2.**Timetable**

   The PCN874 file production must be completed by 01/01/2010.

3.**Technical Information and Support**

   Technical queries can be sent to e-mail: <u>874@shaam.gov.il</u>
   In order to efficiently deal with your queries, please state your name and telephone number for return communication.

   Additional explanations and an assortment of common questions and answers can be seen on the Authority's website at:
   <u>http://ozar.mof.gov.il/taxes/bikoret_memuhshevet/PCN874.htm</u>

We thank you for your cooperation.

Yours Faithfully,

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Clarifications regarding the structure of the PCN874 invoices file.

1. Computerized accounts management systems will produce the PCN874 file according to the structure detailed in Appendix 'A'. The file is based on the PC874 file generated today for VAT refunds in some of the computerized accounts management systems, and will by default include data relating to the calendar month prior to that of the file production.

2. The file will include a header (summary) entry, transaction entries and a closing entry as detailed in Appendix 'A'. Due to the fact that the file is of a fixed structure, any instance where the field is in reality "shorter" than that required by the technical specifications, it is necessary to add preliminary zeros.

3. "Sha'am" will enable representatives (CPAs, tax advisors etc.) to submit information for a number of users by means of the financial alignment – each file including reports for the same period. Use of this alignment will be optional and intended for those representatives interested in simultaneously submitting reports for a number of users (as detailed in Appendix 'B').

4. Below are the main changes in the structure of the PCN874 file compared to the PC874 file:
   a. New fields have been added to the header entry including: the date of file creation and areas for future use.
   b. Additional fields have been added to the transaction entries including: value of the sale/input before VAT
   c. The individual transactions will be detailed in addition to the input figure – including "zero value" and exempt transactions.

5. From 1/2011"Sha'am" will allocate account numbers to users and therefore provision must be made to enable the storage of an additional reference number in the program (or to replace one of the existing fields), and to print it on the customer's invoice.

6. From 1/2012 this file will replace the periodical VAT report.

7. Additional remarks/comments
   a. It will be obligatory to generate a separate tax invoice for each sale exceeding 5,000 NIS (not incl. VAT). If the sale was made with a cash register and a tax invoice generated, it will be neutralized from the register's total transactions in order to prevent it appearing twice (under "Z" and in the detailed description).
   b. While generating the invoice, arrangements should be made for the entering of the customer's licensed dealer identification number and printing it on the invoice. This is in order to enable the merchant to meet those bookkeeping requirements that obligate, in certain cases, the mention of the customer's licensed dealer identification number. It is recommended that the program advice if there is a "problem" in the check digit, but enable the entry of other values (tourist etc.).

8. Appendix "C" includes comments and clarifications regarding the possible values in the various fields in the variables entries.

9. It is strongly recommended that the computerized accounting system will perform preliminary validity check of the entries fields like control digit, dates etc. It also would allow to the user to see visually/print the whole report or at least the summarized data (included in the header entry).
   In the nearest time Sha'am will place on-line simulator to enable automatic validity checks on trial reports.

Appendix 'A' – PCN874 File Structure – New – Individual Merchant

File Name: PCN874.TXT

Header Entry

Name	Technical Description	Comments
Entry Type	A(1)	"O" – fixed value
Customer's Licensed Dealer identification Number	N(9)	
Month for which detailed report is being submitted	N(6)	Yyyymm form
Report Type	N(1)	Field Value=1, Future changes possible
File Generation Date	N(8)	Yyyymm form
+/- symbol for total taxable sales	+/-	
Total amount of taxable sales (excluding VAT)	N(11)	In the reported file
+/- symbol for total VAT on taxable sales	+/-	
Total VAT on taxable sales	N(9)	In the reported file
+/- symbol for total sales taxable at **different rate**	+/-	Currently "+"
Total of sales taxable at different rate (excluding VAT)	N(11)	Currently zeros – for future use
+/- symbol for total VAT on sales taxable at different rate	+/-	Currently "+"
Total VAT on sales taxable at different rate	N(9)	Currently zeros – for future use
Total number of records for "sales"*	N(9)	Number of sales records - both taxable and zero-rated/ exempt
+/- symbol for total of zero value and exempt sales	+/-	
Total of zero value/exempt sales for period	N(11)	
+/- symbol for total VAT on "other" (non-capital) inputs	+/-	
Total VAT on "other" inputs required during period	N(9)	
+/- symbol for total VAT on "equipment" inputs required during period	+/-	
Total VAT on "equipment" inputs required during period	N(9)	
Total number of records for inputs (other and equipment)	N(9)	
+/- symbol for total VAT to pay / receive	+/-	+ symbol to pay
Total VAT to pay / receive for period	N(11)	

Transaction Entries

Name	Technical Description	Comments
Entry Type (document type)	A(1)	See attached table of values
VAT identification number – of the other side of the transaction	N(9)	For transactions entries – the customer For inputs – the supplier
Invoice Date/Reference	N(8)	YYYYMMDD
Reference group	A(4)	Series etc. **zeros are possible at this stage**
Reference number	N(9)	First 9 positions from the right
Total VAT in invoice / total VAT that is allowed (1/4…. 2/3…)	N(9)	Rounded to the nearest shekel – always a positive value
+/- symbol: credit/summary invoice	A(1)	Cancellation/credit from supplier or customer – **always in minus**
Invoice total not incl. VAT	N(10)	Always the 100%, always a positive value, rounded to the nearest shekel
Space for **future** data	N(9)	Reference number to be allocated by "Sha'am" to the **supplier**

Closing Entry:

Name	Technical Description	Comments
Entry Type	A(1)	"X" – fixed value
Licensed Dealer Identification Number of submitter	N(9)	

Remarks/Notes/Comments:

- "Mixed" invoices which include goods/services both exempt from and liable for taxation or zero value transactions, will be counted and summarized as taxable invoices, even if the VAT received is less than the "statutory rate", <u>or</u> as two separate entries.
- In a "+/-" field: When the amount field is zero, the value of the "+/-" field will be "+".

Table of Values for the Entry Type Field. The values will be derived from transaction type / details are in the account card.

Name	Value	*Comments/Notes
Sales – "regular" sale	S	
Sales – for unidentified (private) customer	L	
Sales – self invoice	M	
Sales – export	Y	
Sales – Palestinian Authority customer	I	Palestinian customer – Invoice I
Input – "regular" from Israeli Supplier	T	
Input – Petty Cash	K	Various suppliers – Petty Cash
Input – Import	R	Overseas supplier
Input – Supplier from Palestinian Authority	P	Palestinian supplier – Invoice P
Input – Single document **by law**	H	Such as Import entry, bank document etc.
Input – self invoice	C	

Possible values and further comments appear in Appendix "C".

Appendix "B" – Structure of file for consecutive multiple user reporting by representative

Initial Entry

Entry Type	A(1)	"A" – fixed value
Representative VAT identification number	N(9)	
Month for which detailed report is given	N(6)	Yyyymm form

Reports for individual users

Summary Entries

Entry Type	A(1)	"Z" – fixed value
Number of users included in report	N(9)	For control purposes
Number of accounting entries included in report	N(9)	For control purposes

Appendix "C" – Clarifications regarding values in the various document types in the fields of variables entries

1. General Explanation: All fields are compulsory. Below are the possible values for each field in each situation.
   "V" symbolizes a compulsory field in accordance with the column heading or the value stated in the table e.g in the "reference number" field – in some cases the reference number may be entered and in others, the number of transactions.

Type: "SL"= Sale; "IN"=Input	Entry (Type)	Counter Party Identification Number	Invoice Date	Reference Group	Reference Number	Sum of VAT	+/- Sign	100% Sum	For Future Allocation	Comments
Regular "SL" – identified commercial customer	S	Customer	V	Zeros/V	V	V	V	V	Zeros	A
Zero Value/Exempt "SL" – not export	S	Customer	V	Zeros/V	V	Zeros	V	V	Zeros	A
Private Customer "SL"/unidentified-cash register aggregation etc.	L	Zeros	Date of Aggregation	Zeros/V	V/No. of sale invoices	V	V	V	Zeros	B
Zero Value/Exempt "SL" – private customer – aggregated	L	Zeros	Date of Aggregation	Zeros/V	V/No. of sale invoices	Zeros	V	V	Zeros	B
"SL" – Self Invoice	M	Supplier	V	Zeros/V	V	V	V	V	Zeros	C
"SL" – Export Entry	Y	Export Entry or "999999999"	Export Entry Date	Zeros/V	V	Zeros	V	V	Zeros	D
"SL"- Palestinian Authority Customer	I	Customer	V	Zeros/V	V	V	V	V	Zeros	
"IN"-"regular" from Israeli Supplier	T	Supplier	V	Zeros/V	V	V	V	V	Zeros	
"IN"-Self Invoice	C	Supplier	V	Zeros/V	V	V	V	V	Zeros	C
"IN"-Petty Cash	K	Zeros	Entry Date	Zeros/V	No. of Invoices	V	V	V	Zeros	E
"IN"-Import Entry	R	Import Entry	Import Entry Date	Zeros/V	Zeros	V	V	V	Zeros	D
"IN"-Supplier from Palestinian Authority	P	Supplier	V	Zeros/V	V	V	V	V	Zeros	
"IN"-Other Document (by law)	H	Supplier	V	Zeros/V	V	V	V	V	Zeros	F

2. **Table of possible values for a field marked/designated "+/-". This field represents the positive/negative sign of the value of the input**.

Transaction	Sale to the customer	Cancellation/credit to the customer	Purchase from supplier	Cancellation/credit from supplier	Zero value field
Sign	+	-	+	-	+

3. Additional Comments relating to the Variables Entry Field (in 2010 fiscal year)

    A. Regular local sale to commercial customer – In a sale where the pre-VAT amount is higher than 5,000 NIS, it is obligatory to state the customer's merchant number (it is a prerequisite to customer input offset). In sales with lower amounts the identification of a commercial customer is optional and they may be reported either as a separate entries or as one or more aggregated entries

    B. Regular local sale to unidentified customer (including cash registers etc.).

        1) This entry will aggregate all sales less than 5,000 NIS (e.g all cash registers in a given month). The total number of aggregated sales will be entered in the reference field.

        2) The last date of the aggregated list will be entered in the date field – in a monthly aggregation – the last day of the month will be entered.

- A "mixed" transaction (exempt/zero value and regular) enacted with a cash register or invoice, will be reported as a single listing L/S when the VAT percentage is lower than the official VAT rate determined by law. Alternatively, it will be reported twice: once as invoice with a "normal" tax rate and once again at a zero rate, both with the same type of document, customer, date and reference number.

    C. Self Invoice Sales – the supplier number will be entered in the place of the counter party file number. The transaction can be reported as a sale and possibly also as a "self" input (it is possible that the input VAT will be less than the sum of VAT in the "self" sale – in the case of partial deductibility).

    D. Export Entry Sale – the opposite party identification field will include the export entry number. In the case of exporting services or intangible goods, the opposite party will be "999999999". The date will be the export entry date. The reference number will include the invoice number. The sum of the VAT will include zeros (for service without an export entry – the opposite side will be zeros).

    E. Petty Cash Input – The entry may appear a number of times, even on the same date, provided that the total VAT for these entries is less than 2% of the total VAT of the file's entries or 2,000 NIS (the greater of them). The restrictions regarding the Petty Cash may change from time to time as to be determined in the internal regulations that will be made public.

      - The reference number will reflect the number of invoices in the entry.

    F. Other Document Input: Reference Number – if unknown: will be entered as zeros. Counter file number: in accordance with "Sha'am" guidelines.

- Reference Group Field – enables attribution of reference to branch etc., zero values or internal characters of the submitter (series/branch etc.)
- Future Field – intended for the subject of ascribing invoices as transactions. At this stage, the value in this field will be zeros.
- Parameter values may change from time to time. These changes will be published in memos and will be valid for a specified period e.g 5000 shekels/2% etc. and therefore the accountant must be able to amend them.

- <u>Detail Amendment "procedure" for an invoice included in a previously submitted report or in a current report</u>.

  A. The incorrect invoice will be cancelled – reported as an opposite sign. All other details will be identical to those reported.
  B. The invoice will be reported again – with the correct details.