



### **Decreases in the Standard Rate of VAT for UK from January 1st 2010.**

From 1 January 2010, the standard rate of VAT will decrease from 21.5% to 21%. This rate applies to the supply of goods and services including:

- **Motor vehicles**
- **Petrol**
- **Furniture**
- **Carpets**
- **Adult footwear**
- **Clothing**
- **Accountancy and solicitor services**

Note: Unaffected by the VAT rate change are the following:

- **Zero-rated goods, for example, basic foodstuffs, children's clothing and children's foot wear.**
- **Goods and services subject to VAT at a reduced rate.**

The purpose of this guide is designed to show you how to change your VAT information in your sage system to reflect the latest government legislation.

### **Which VAT rate should I use?**

The rate that should be charged on your goods and services depends on:

- The VAT scheme you are using
- The VAT status of the customer you are supplying

To determine which VAT rate should be applied, refer to the guidance document published on the Irish Revenue Web site: <http://www.revenue.ie>

Note: Sage or Inno8 are unable to advise which VAT rate is applicable in specific circumstances. Any such queries must be directed to the Irish Revenue. Please visit <http://www.revenue.ie> and click on 'Contact Us' to find the contact for your area.

**\*Please remember to back up your data, Inno8 cannot be held responsible for any losses incurred through the use of these steps.**



### **Sage 50 Forecasting - How to change the VAT rate to account for legislative changes**

From 1st January 2010, the standard rate of VAT decreases from 21.5% to 21%. How to make the required changes in Sage 50 Forecasting.

#### **To change a VAT rate**

Tip: You can change the rates in different forecasts independently.

1. Open the Forecast menu then choose VAT Rates.

Sage Financial Forecasting v5 - Open the Options menu then choose VAT Rates.

The VAT Rates window appears displaying the Exempt, Standard and Zero VAT rates.

2. Select the Standard rate then, in the VAT Rate data column, in the January 2010 box, enter the new VAT percentage rate, 21%, per period.

**Tip: To apply VAT rates to specific months, enter the values in the required boxes.**

The rate applies to all months following that period.

The percentage appears in each subsequent period of the VAT Rate column.

3. To save the new VAT rate and return to the Sage 50 Forecasting desktop, click Save.

**You have now successfully created a new VAT rate and can apply this in your forecast.**

### **To change the VAT rate in Sage 50 Accounts**

**Note: You should make this change on 1st January 2010.**

1. Open the Settings menu, choose Configuration then click the Tax Codes tab. \*Sage Accounts v9 and below - Open the Settings menu then choose Tax Codes.

The tax code information should then appear.

2. Select T1 then click Edit.

Note: If you use a different tax code for your standard rate of VAT, select the relevant tax code then click Edit.

The Edit Tax Code window appears.

3. Enter 21 in the Rate box then click OK.

The Edit Tax Codes window closes.

4. To apply the change, and return to the Sage Accounts desktop, click Apply then click Close.



Tip: If you are prompted to save your changes, click No.

Sage Instant Accounts v15 - Click Save then click Close.

You have successfully changed the standard rate of VAT.

Sage Accounts applies the new rate of VAT to any new transactions that use this tax code. All existing transactions remain unchanged at the old rate of VAT.

### **To edit existing invoices and orders in Sage 50**

Note: The steps below refer to invoices only. You should use the same process to amend any relevant sales orders, purchase orders, credit notes, quotes or proformas. You should also amend any recurring invoices or orders.

1. Open the Customers module then from the Links pane click Invoice List.

The Invoicing window appears.

2. Double-click the required invoice.

The invoice appears displaying the relevant items.

3. Click in the Description column of the first item that uses the standard rate of VAT then press F3 on your keyboard.

Tip: For service invoices, click in the Details column then press F3.

The Edit Item Line window appears.

4. From the Tax Code drop-down list, choose the standard rate tax code.

Note: Although the correct tax code already appears in this box, to recalculate the VAT amount you must select the tax code again.

The VAT amount recalculates using the new rate of VAT.

5. To close the Edit Item Line window, click OK.

6. Repeat steps 3 - 5 for any other standard rated items on the invoice.

7. To save your changes and return to the Invoicing window, click Save then click Close.

You have successfully updated the VAT amounts on the invoice. If required, repeat the process for any other invoices that need to be updated.



**To credit an invoice at the old VAT rate in Sage 50.**

Note: To determine the correct VAT rate for a particular credit note, please contact the Irish Revenue. If you need to apply the VAT rate of 21.5%, you need to create a new tax code.

1. Open the Settings menu, choose Configuration then click the Tax Codes tab.

Sage Accounts v9 and below - Open the Settings menu and choose Tax Codes.

The tax code information appears.

2. Select the first tax code that is not in use then click Edit.

The Edit Tax Code window appears.

3. Complete the Edit Tax Code window as follows then click OK.

Rate - enter 21.5 in this box.

Include in VAT return - Select this check box.

Reverse Charge - Do not select this check box.

EC code - Do not select this check box.

Description - Old standard VAT rate.

The Edit Tax Codes window closes.

4. To apply the change, and return to the Sage Accounts desktop, click Apply then click Close.

Tip: If you are prompted to save your changes, click No.

Sage Instant Accounts v15 - Click Save then click Close.

You have successfully created a new tax code for the old standard rate of VAT.



## **Sage 200 & MMS - How to account for the decrease in the standard rate of VAT**

Important Notice:

We recommend that you print & post any invoices that are presently in the system that require to be invoiced at the 21.5% rate before following any of the advice below.

Change the VAT rate in Sage 200 & Sage MMS

To change the standard rate of VAT you will need to do the following:

- Accounting System Manager
- Settings
- Edit the Standard tax code to 21%

You should also edit the EC Standard Purchase Ledger (PL) Code (Purchases, Good and related Services) to 21%

### **To credit an invoice at the old rate**

There may be occasions when you need to credit invoices at the old vat rate. If you need to do this, you should create a new tax code at the old rate of VAT. You can do this as follows:

- Accounting System Manager
- Settings
- Tax Rates, the Accounting System Manager Tax rate details box appears
- Choose Add
- Enter a description of your choice
- Select Vat Return Option
- Enter "Not Applicable" in the EC terms box
- Enter the rate of 21.5%
- Ensure relevant Input/ Output Nominal Codes

### **Entering Late Suppliers Invoices/ Supplier Purchase Orders**

If you receive an order from a supplier that you need to enter at the old rate of VAT. Ensure when entering the order that you select the relevant tax rate.

Create an invoice at the new rate of VAT

The invoice will post correctly at the rate 21% once the section "Change the VAT rate in Sage 200 & Sage MMS" has been followed.



## Observations



- Existing Sales & Purchase Orders

Existing sales and purchases orders entered into the system can be viewed using the View Order option. Caution should be used when selecting to Amend Order once you followed the section “Change the VAT rate in Sage 200 & Sage MMS” has been followed.

- Re-Printing Invoices

For invoices entered in the system the vat summary section will show the vat rate as displayed in the Accounting System Vat Rate settings section however all monetary values will be based on the vat rate selected at point of invoice posting.

- Copy SOP Order

If you copy a SOP order that was created before you followed the section “Change the VAT rate in Sage 200 & Sage MMS” ensure that you check all values on the order.

- Recording Payments In Advance

We would recommend that any orders entered in the system before the change in tax rate and have advance payments associated with them, are checked to ensure that the reduction in VAT has not resulted in the payment value being greater than the value of the goods.

We are continuing to perform testing, if we discover any additional recommendations we will publish updates on this article.

### **Sage 100 - How to account for the decrease in the standard rate of VAT**

\*Testing was performed on Line 100 v7.6 and Line 100 Windows 8.5 and the below applies to these versions.

Important Notice:

We recommend you backup your data directory before implementing the VAT change. Also that all sales and purchase postings are updated before proceeding.

### **Change the VAT rate in Line 100**

To change the standard rate of VAT you will need to do the following:

- Accounting System Manager
- System Parameters
- Vat Rates
- Select the standard rate tax code and select
- Then edit the VAT rate field and enter the rate of 21%



You should edit the EC Standard purchase ledger (PL)Code (Purchases, Goods and related Services ) to 21%

### **To credit an invoice at the old rate**

There may be occasions when you need to credit invoices at the old vat rate. If you need to do this, you should create a new tax code at the old rate of VAT. You can do this as follows:

- Accounting System Manager
- System Parameters
- Vat Rates
- Move down to locate an empty field and enter in a relevant tax code number and description
- Tick the option for include in vat return
- Enter rate of 21.5%
- Ensure relevant Input/ Output Nominal Codes and also relevant cost centres

Please note that the EC purchase flag should not be selected.

### **Entering Late Suppliers Invoices/ Supplier Purchase Orders**

1. If you receive an invoice from a supplier that you need to enter at the old rate of VAT, you must manually amend the VAT amount. To do this simply over type the VAT amount with the correct value on the Invoice/ Order entry screen.

2. If you receive an order from a supplier that you need to enter at the old rate of VAT. Ensure when entering the order that you select the relevant tax rate.

### **Create an invoice at the new rate of VAT**

The invoice will post correctly at the rate 21% once the section Change the VAT rate in Line 100

### **Observations**

Existing Sales & Purchase Orders

Existing sales and purchases orders entered into the system can be viewed using the Screen Enquiries option. Caution should be used when selecting to Amend Order once you followed the section "Change the VAT rate in Line 100".

### **Re-printing invoices & Backup**

All invoices re-printed after changing the VAT rate to 21% will print at that rate even if the invoice was originally printed at the 21.5%.

As a workaround we would suggest taking a backup of the data prior to changing the rate and use this backup to access the data via a new company to reprint any historical invoices.



### **Unposted Invoices through Sales Order Processing (SOP)**

Any invoices printed but not posted before you followed the section “Change the VAT rate in Line 100”, will be posted at the new rate.

### **Unposted Invoices through Invoicing**

It is advisable to print and post invoices prior to following the section “Change the VAT rate in Line 100”.

### **EDI Users**

EDI users, please note that you may also need to amend the VAT rate within your EDI product depending upon the one you are using.

### **This Document**

This document was compiled from guides provided directly from Sage and as such should be factually correct. If you have any issues with any of these processes or would like help regarding changes to your VAT within your system please call our support line on: 0161 975 1666.