

Credit Control Bad Debt.

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Sage

Housekeeping

The image shows a mobile application interface for asking questions. The interface is titled "Questions" and features a sidebar with several icons. Four callout boxes with green borders and lines pointing to specific icons provide instructions:

- Your microphone is muted automatically**: Points to a microphone icon with a red slash through it.
- Send us your questions**: Points to a question mark icon.
- Download a handout**: Points to a document icon.
- Switch to full screen**: Points to a full screen icon.

The main content area of the app displays the text "Want answers?" with a dashed arrow pointing to a text input field labeled "Ask the staff a question". Below the input field is a blue "Send" button. At the bottom of the sidebar, there is an "Exit" button.

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Bad Debt.

Introduction

- You must have already accounted for the VAT on the supplies and paid it to HMRC.
- You must have written off the debt in your day to day VAT Accounts and transferred it to a separate bad debt account.
- The debt must have remained unpaid for a period of six months...

***HMRC Notice 700/18 (February 2013)
Relief from VAT on bad debts***

Bad Debt.

Setting up your Nominal ledger

- Settings > Control Accounts > Bad Debts
 - Default nominal code is 8100



Control Account	N/C
Debtors Control	1100
Creditors Control	2100
Default Bank	1200
VAT on Sales	2200
VAT on Purchases	2201
Sales Discount	4009
Purchase Discount	5009
Retained Earnings	3200
Default Sales	4000
Accruals	2109
Prepayments	1103
Bad Debts	8100
Mispostings	9999
Suspense	9998
Credit Charges	4400
Exchange Rate Variance	7906
VAT Liability	2202
Manual Adjustments	2204

Bad Debt.

Writing off invoices – Manual method

- Customers > Batch credit
- VAT Schemes
 - Standard / Flat Rate – Invoice based
 - Cash Accounting / Flat Rate – Cash based
- VAT Return

Tip: Remember to allocate the transactions

The screenshot shows the 'Batch Customer Credit' window in Sage software. At the top, there is a title bar with the text 'Batch Customer Credit'. Below the title bar is a ribbon menu with the following options: 'Clear form', 'Insert row (F7)', 'Remove row (F8)', 'Copy cell above (F6)', 'Copy cell above +1 (Shift + F6)', 'Calculate net (F9)', 'Memorise', 'Recall', 'Print list', and 'Send to Excel'. Below the ribbon menu are two input fields: 'A/C' and 'N/C'. Below these fields is a table with the following columns: 'A/C*', 'Date*', 'Due On*', 'Credit No', 'Ex.Ref', 'N/C*', 'Department*', and 'Project Re'. The first row of the table has a dropdown arrow in the 'A/C*' column and red double slashes '//' in the 'Date*' and 'Due On*' columns. The rest of the table is empty.

Bad Debt.

Writing off invoices – Wizard

- Customers > Write offs
- VAT Schemes
 - Standard / Flat Rate – Invoice based
 - Do not use for Cash Accounting / Flat Rate – Cash based
- VAT Return

The screenshot shows the 'Write Off, Refunds and Returns' wizard interface. The main window has a title bar 'Write Off, Refunds and Returns' and a close button. Below the title bar is a header 'Write Off, Refund and Returns'. The main content area is divided into a left sidebar with a progress indicator (1-4) and a main panel. The progress indicator shows: 1 Select Area (highlighted), 2 Process Data, 3 Update Data, and 4 Post Data. The main panel is titled 'Select Area' and contains a 'Select Account*' dropdown menu. A 'Warning' dialog box is overlaid on the main panel, containing the following text: 'Warning', 'Use of this option is not recommended when operating VAT Cash Accounting mode. All transactions are posted using a tax code that would exclude the transactions from the VAT return', and 'Are you sure you wish to continue?'. The dialog box has 'Yes' and 'No' buttons. At the bottom of the main window, there are 'Cancel', 'Back', and 'Next' buttons.

Bad Debt.

Reclaiming the VAT

‘To claim a refund you should include the amount of the VAT you’re claiming in box 4 of your VAT Return...’

HMRC Notice 700/18 (February 2013)

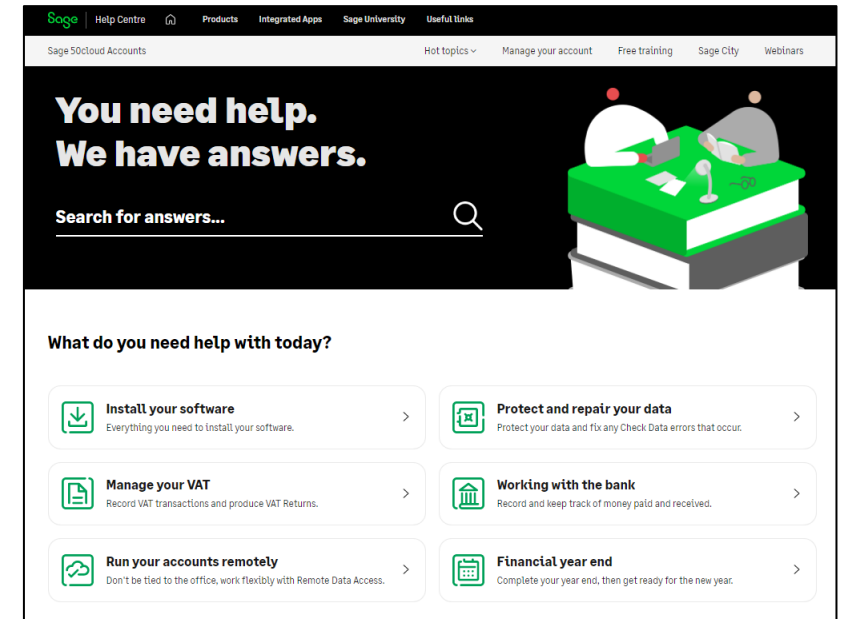
- Nominal codes > Journal entry

The screenshot shows the Sage Journal Entry window. At the top, there is a toolbar with icons for Clear form, Insert row (F7), Remove row (F8), Copy cell above (F6), Copy cell above +1 (Shift + F6), Memorise, Recall, Add attachment, Print list, and Send to Excel. Below the toolbar, the Reference field contains 'BadDebt' and the Posting Date is '30/06/2022'. The Balance field shows '0.00'. The main table has columns for N/C*, Name, Details, T/C*, Debit, and Credit. The entry shows a debit of 100.00 to the Purchase Tax Control Account (2201) and a credit of 100.00 to the Bad Debt Write Off (8100) account, both with the detail 'Bad Debt - Reclaim VAT' and T/C* 'T1'.

N/C*	Name	Details	T/C*	Debit	Credit
8100	Bad Debt Write Off	Bad Debt - Reclaim VAT	T9	0.00	100.00
2201	Purchase Tax Control Account	Bad Debt - Reclaim VAT	T1	100.00	0.00

Useful links

- www.sage.co.uk/help
 - How to manually write off customer invoices to bad debt
 - How to manually write off a customer account
 - How do I reclaim the VAT on bad debt write offs?
 - How do I use the Write off, Refunds and Returns wizard?
 - Set up and manage a provision for bad debt
- HMRC - [Relief from VAT on bad debts \(VAT Notice 700/18\)](#)



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