

# **Sage 50 Accounts** **#4 Unveiling** **answers – Our top 5** **VAT Questions** **answered.**

Jacqui Wilson

Sage



# Housekeeping

**Sage 50 Accounts**

**#4 Unveiling answers – Our top 5 VAT Questions answered.**

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Questions

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# VAT Proficiency badge

We have 7 different sessions running covering various VAT topics. Attend 4 of the 7 **live** sessions to receive the digital badge. These will start to be issued in the first 2 weeks of April.

Session 1 – Crack the Code – Mastering tax codes

Session 2 – Prepare and Reconcile with Ease

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**Session 4 – Our top 5 Questions answered**

Session 5 – Exploring the VAT verification checks

Session 6 – Running reports for confident reconciliation

Session 7 – Correcting VAT transactions



# What tax code should I use?



# What tax code should I use?

<b>Goods or service?</b>	<b>Sale or Purchase</b>	<b>Location</b>	<b>Which boxes to impact</b>	<b>Special treatment</b>
<p>In some circumstances the tax treatment may differ if the transaction relates to goods or services. This tends to be more likely in transactions to the rest of the World (ROW)</p>	<p>Sales and Purchases impact different boxes on the VAT return. If the transaction is a bank charge or bank interest this can also alter the tax treatment.</p>	<p>The transactions will possibly be treated differently depending on where the goods or service will be received or purchased from.</p>	<p>By understanding which boxes a transaction needs to impact the tax code to use can be identified.</p>	<p>Some transactions require specialist treatment due to particular VAT schemes or legislation. For example, transactions under the Domestic reverse charge scheme for the construction industry</p>

# Using the drill down to determine what tax code to use?

Find out which box of the VAT Return you are required to impact as a result of the transaction.

Use the drill down feature to determine which tax codes and transaction types impact the required boxes.

Cross check this with other reporting requirements such as RTD reporting / VIES return (ROI).

VAT Breakdown - Total VAT on Purchases

T/C	Invoices	Credits	Payments	Journal Debits
T8	0.00	0.00	0.00	0.00
T15	0.00	0.00	0.00	0.00
T17	0.00	0.00	0.00	0.00
T18	0.00	0.00	0.00	0.00
T19	0.00	0.00	0.00	0.00
T20	0.00	0.00	0.00	0.00
T21	0.00	0.00	0.00	0.00
T25	0.00	0.00	0.00	0.00
T26	0.00	0.00	0.00	0.00
	33.02	0.00	0.00	0.00

Total VAT on Purchases: T2 33.00

# I have submitted in error.



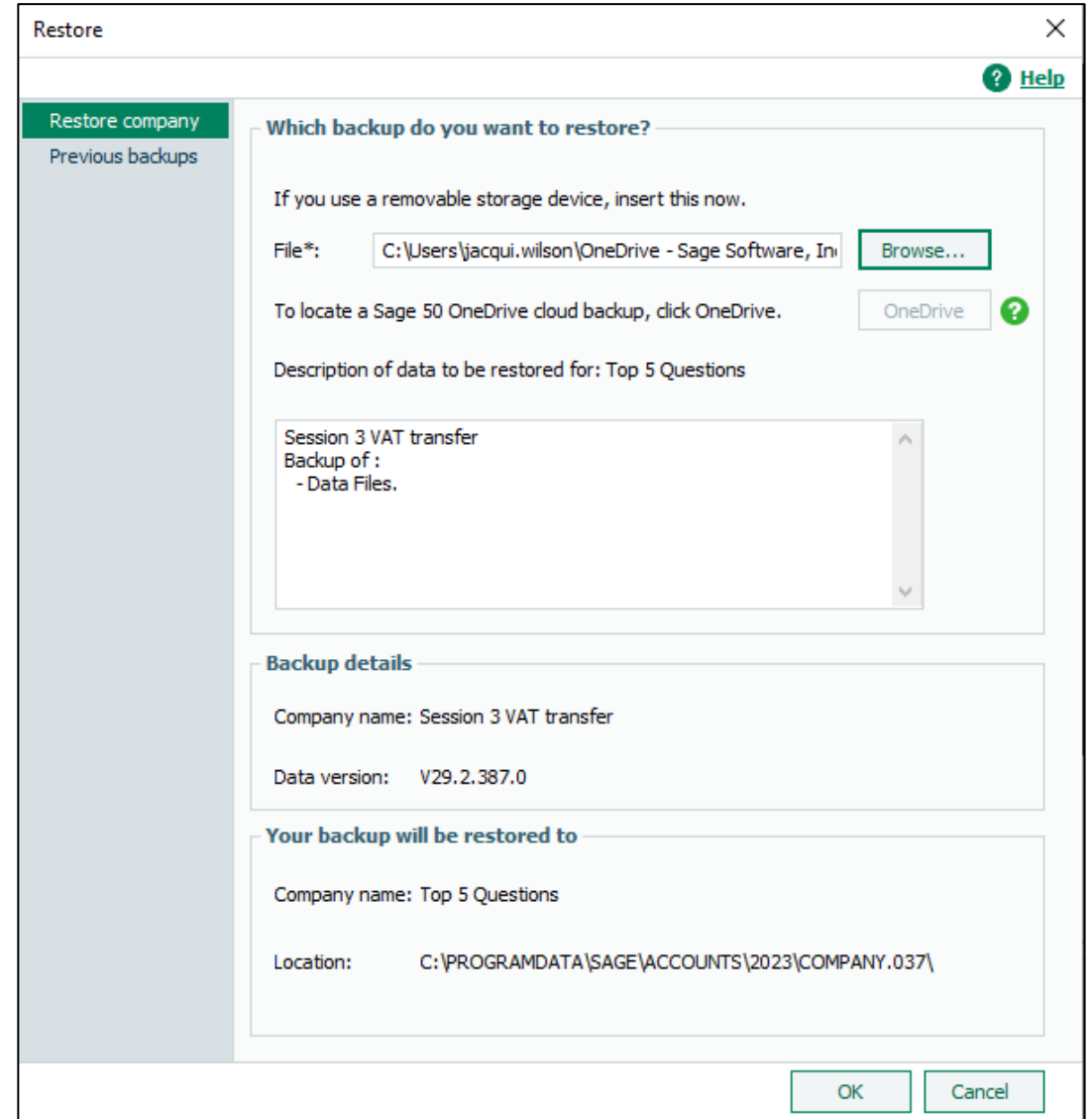


# Submitted in error

If you have submitted your VAT Return in error then a backup can be restored to undo the VAT return within your software.

This does not however undo your actual submission.

In this instance we recommend you speak to HMRC/ Revenue to discuss your issues, if needed, they can re open the period for submission.



# Why do my figures not match the control account balances?



# Why do my figures not match the control account balances?

The balances on your nominal accounts are always real-time as of today's date. As you would generally be running your VAT Return for a particular period in the past it would be very unlikely that the two would match.

On VAT Cash Accounting this would never match as you may have unpaid invoices included in the nominal balances which won't be picked up on the VAT Return until they are paid.

We don't recommend trying to reconcile your VAT to the VAT control account balances for these reasons.

2200	Sales Tax Control Account			5421.80
2201	Purchase Tax Control Account		3633.40	
2202	VAT Liability		1788.40	

# Postponed Accounting.



# What is postponed Accounting?

Postponed VAT Accounting, introduced in both the UK and Republic of Ireland in January 2021, improves business cash flow for imports.

Postponed Accounting means you can account for Import VAT on goods arriving in the UK or Ireland on a VAT Return rather than having to pay the VAT as soon as the goods arrive at the border.

- UK - You can use Postponed VAT Accounting for all Rest of the World (ROW) imports. For Great Britain this now includes imports from the EU.
- Northern Ireland - You can use Postponed VAT Accounting, but it's only relevant for non- EU imports.
- Republic of Ireland - Postponed Accounting is available for all ROW imports. This includes imports from Great Britain, but not from Northern Ireland.

UK Guide <https://gb-kb.sage.com/portal/app/portlets/results/view2.jsp?k2dockey=200427112533042>

ROI Guide <https://gb-kb.sage.com/portal/app/portlets/results/view2.jsp?k2dockey=200427112533343>

# Postponed accounting tax codes - UK

## Posting a supplier invoice with postponed VAT

When you use the T18 tax code, or equivalent, for a purchase invoice, it has the following effect:

- The postponed VAT amount adds to the invoice value.
- A VAT only credit note automatically posts to T18 for the postponed VAT value. This reduces the outstanding value.
- The credit note allocates to the invoice automatically.
- The VAT due for the purchase adds to boxes 1 and 4 of the VAT Return so its paid and reclaimed on the VAT Return and the net value of the purchase adds to box 7 of the return.
- The credit note doesn't impact the VAT Return. It corrects the supplier balance.
- If the invoice has multiple item lines with VAT values, a credit posts automatically for each line.

# Postponed accounting tax codes - ROI

## Posting a supplier invoice with postponed VAT

When you use a postponed accounting tax code (T39-T50)

- A VAT only credit note is automatically posted to postponed accounting tax code, for example T40, for the VAT value reducing the outstanding value of the invoice.
- The credit note is allocated to the invoice automatically.
- The VAT due for the purchase is added to boxes T1 and T2 of the VAT Return, so the net effect is that no VAT is due.
- The credit note does not impact the VAT Return it's there to correct the supplier balance.
- The net value of the purchase is added to the PA1 and 'Total value of purchases excluding VAT' boxes.

# Impact of postponed accounting tax codes

UK

The screenshot shows the Sage software interface for the UK. A 'Batch Supplier Invoice' window is open, displaying a table with columns: A/C\*, Attach, Date\*, Due On\*, Ref, Ex.Ref, N/C\*, Department\*, Project Ref, Cost Code, Details, Net/T/C\*, VAT, and Gross D. The first row contains: IMPORT, a plus icon, 12/03/2024, 11/04/2024, 5000, 0, 100.00, T18, 20.00, and 120.00. A dialog box titled 'Postponed accounting' is overlaid on the table. The dialog contains an information icon, the text 'The tax code you have selected indicates you are using postponed accounting. When you save this invoice, a VAT only credit note will be posted automatically for the postponed VAT amount.', a 'More information' link, and a checkbox 'I understand this information. Do not show this message again.' with an 'OK' button.

ROI

The screenshot shows the Sage software interface for ROI. A 'Batch Supplier Invoice' window is open, displaying a table with columns: A/C\*, Attach, Date\*, Due On\*, Ref, Ex.Ref, N/C\*, Department\*, Project Ref, Cost Code, Details, Net/T/C\*, VAT, and Gross D. The first row contains: IMPORT, a plus icon, 13/03/2024, 12/04/2024, 5000, 0, 100.00, T40, 23.00, and 123.00. A dialog box titled 'Postponed accounting' is overlaid on the table. The dialog contains an information icon, the text 'The tax code you have selected indicates you are using postponed accounting. When you save this invoice, a VAT only credit note will be posted automatically for the postponed VAT amount.', a 'More information' link, and a checkbox 'I understand this information. Do not show this message again.' with an 'OK' button.

Although different tax codes are used the impact on transactions using the postponed accounting tax codes are the same.



# Impact of postponed accounting tax codes

Other than the tax code used, postponed accounting transactions are identical whether they are processed in the UK or Ireland.

A VAT only credit note is automatically posted to postponed accounting tax code, for example T18 in the UK or T40 in ROI, for the VAT value reducing the outstanding value of the invoice.

The credit note is allocated to the invoice automatically.

## UK

No ▲	Type	Account	Nominal	Dept	Details	Date	Posted Date	Due On	Ref	Net	Tax	T/C
1	PI	IMPORT	5000	0		12/03/2024	13/03/2024	11/04/2024		100.00	20.00	T18
2	PC	IMPORT	5000	0	Postponed VAT amount for Purchase ...	12/03/2024	13/03/2024	12/03/2024		0.00	20.00	T18

## ROI

No ▲	Type	Account	Nominal	Dept	Details	Date	Posted Date	Due On	Ref	Net	Tax	T/C
1	PI	IMPORT	5000	0		13/03/2024	13/03/2024	12/04/2024		100.00	23.00	T40
2	PC	IMPORT	5000	0	Postponed VAT amount for Purchase ...	13/03/2024	13/03/2024	13/03/2024		0.00	23.00	T40

# Impact of Postponed accounting tax codes

## UK

### VAT Return

01/03/2024 - 31/03/2024

VAT due in the period on sales and other outputs	1	20.00	
VAT due in the period on acquisitions of goods made in Northern Ireland from EU Member States	2	0.00	
Total VAT due (sum of boxes 1 and 2)	3	20.00	
VAT reclaimed in the period on purchases and other inputs (including acquisitions in Northern Ireland from EU member states)	4	20.00	
<b>Net VAT to pay to HMRC or reclaim</b>	<b>5</b>	<b>0.00</b>	
Total value of sales and all other outputs excluding any VAT	6	0.00	
The total value of purchases and all other inputs excluding any VAT	7	100.00	
Total value of dispatches of goods and related costs (excluding VAT) from Northern Ireland to EU Member States	8	0.00	
Total value of acquisitions of goods and related costs (excluding VAT) made in Northern Ireland from EU Member States	9	0.00	

## ROI

### VAT Return

IRISH VAT

01/03/2024 - 31/03/2024

VAT charged on supplies of Goods and Services		0.00	
VAT due on intra-EU acquisitions and postponed VAT		23.00	
Total VAT on Sales	T1	23.00	
Total VAT on Purchases	T2	23.00	
Net Payable (Excess of T1 over T2)	T3	0.00	
Net Repayable (Excess of T2 over T1)	T4	0.00	
Total Goods TO other EU countries	E1	0.00	
Total Goods FROM other EU countries	E2	0.00	
Total Services TO other EU countries	ES1	0.00	
Total Services FROM other EU countries	ES2	0.00	
Value of goods imported under Postponed Accounting (net plus carriage, insurance and freight(CIF))	PA1	100.00	
0,For information only:			
Total value of sales, excluding VAT		0.00	
Total value of purchases, excluding VAT		100.00	

# Posting journals to impact the VAT Return.



# Posting journals to the VAT Return

Most journals are posted using a T9 and therefore will not impact the VAT Return.

It is however possible for journals to be picked up by the VAT Return if required by using a VATable tax code for example T1.

For a journal to be picked up as a VAT value it must be posted directly to the sales or purchase tax control account (2200 or 2201)

If a journal is posted to any other nominal code then they will not be picked up as VAT values.

**We recommend speaking to your accountant if you wish to use journals to amend the figures on your VAT Return.**

# VAT journals - Example

Sale of an asset is an example of a journal posting impacting a VAT Return.








1 - Despite there being 7 parts to this journal only 2 of these will impact the VAT Return based on the tax code (T1)

2 – The VAT element of the sale has been posted to the sales tax control account and therefore will be picked up as VAT on the VAT return

3- The Net element has not used the control account so will be picked up in the Net boxes of the VAT return.

Posting date	11/03/2024			
N / C	Description	Tc	Debit	Credit
0050	Original Purchase N/C	T9		16500.00
0051	Depreciation N/C	T9	1210.00	
1200	Bank Account	T9	10000.00	
4200	Sales of Assets (Cost)	T9	16500.00	
4200	Sales of Assets	T9		1210.00
4200	Sales of Assets (Net)	T1		8333.33
2200	Tax Control Account	T1		1666.67

# VAT journals - UK

VAT due in the period on sales and other outputs	1	1666.67	
VAT due in the period on acquisitions of goods made in Northern Ireland from EU Member States	2	0.00	
Total VAT due (sum of boxes 1 and 2)	3	1666.67	
VAT reclaimed in the period on purchases and other inputs (including acquisitions in Northern Ireland from EU member states)	4	0.00	
<b>Net VAT to pay to HMRC or reclaim</b>	<b>5</b>	<b>1666.67</b>	
Total value of sales and all other outputs excluding any VAT	6	8333.33	
The total value of purchases and all other inputs excluding any VAT	7	0.00	
Total value of dispatches of goods and related costs (excluding VAT) from Northern Ireland to EU Member States	8	0.00	
Total value of acquisitions of goods and related costs (excluding VAT) made in Northern Ireland from EU Member States	9	0.00	

As a result of the journal posted it has the following impact on the UK Return.

Box 1 – Increases by the values of the JC posted to 2200.

Box 6 – Increases by the value of the JC posted to 4200

# VAT journals - ROI

VAT charged on supplies of Goods and Services		1667.00	
VAT due on intra-EU acquisitions and postponed VAT		0.00	
Total VAT on Sales	T1	1667.00	
Total VAT on Purchases	T2	0.00	
Net Payable (Excess of T1 over T2)	T3	1667.00	
Net Repayable (Excess of T2 over T1)	T4	0.00	
Total Goods TO other EU countries	E1	0.00	
Total Goods FROM other EU countries	E2	0.00	
Total Services TO other EU countries	ES1	0.00	
Total Services FROM other EU countries	ES2	0.00	
Value of goods imported under Postponed Accounting (net plus carriage, insurance and freight(CIF))	PA1	0.00	
0,For information only:			
Total value of sales, excluding VAT		8333.00	
Total value of purchases, excluding VAT		0.00	

As a result of the journal posted it has the following impact on the ROI return.

Box T1 and T3 and the first unnamed box of the VAT return– Increases by the values of the JC posted to nominal code 2200

Unnamed box 3 - Increases by the value of the JC Posted to nominal 4200

# Why is my journal being picked up in the wrong box?

period on sales and other outputs	1	<b>Journal credits</b>
period on acquisitions of goods made in Northern Ireland and EU member states	2	
(sum of boxes 1 and 2)	3	
period on purchases and other inputs (including acquisitions of goods made in Northern Ireland from EU member states)	4	<b>Journal debits</b>
amount paid to HMRC or reclaimed	5	
sales and all other outputs excluding any VAT	6	<b>Journal credits</b>
amount of purchases and all other inputs excluding any VAT	7	<b>Journal debits</b>
amount of dispatches of goods and related costs (excluding VAT)	8	

**Q – I have posted a Journal debit to the Sales tax control account 2200 why is it not reducing box 1?**

Journals cannot be used to reduce a box figure.

In addition, journal debits can only be used to increase box 4.

Although a journal debit in this case has been posted to the sales tax control account it has still.



# Bonus Questions



# Bonus questions

- **How do you account for Partial Exemption?**

[How to account for VAT using the Partial Exemption VAT scheme - Standard VAT - UK only](#)

[How to account for VAT using the Partial Exemption VAT scheme - VAT Cash Accounting - UK only](#)

- **How do I process Domestic Reverse charge?**

[Construction Industry Scheme \(CIS\) Reverse Charge](#)

- **How do I run the RTD (ROI only) ?**

[How do I produce a Return of trading details \(RTD\)? \(sage.com\)](#)

- **What can I do if a tax code has previously been used?**

Another unused tax code may be used find out what the default is and use the following articles to help you change the settings to match the default tax code.

[UK - Default tax codes](#)

[Default tax codes - v27.1 and above - Ireland](#)

# Summary



# Summary.

- The Drill down feature can be helpful when trying to determine what tax code to apply to a transaction.
- If you have submitted a return in error contact HMRC/Revenue in the first instance.
- Do not try to reconcile the VAT figures with the current balance of the sales and purchase tax control accounts
- Ensure you use the correct tax codes to account for postponed VAT automatically .
- Journals can be included on your VAT Return, but we recommend speaking to your accountant first.

## Useful links

[Which tax code should I use? \(UK only\)](#)

[Default tax codes - v27.1 and above - Ireland](#)

[What is postponed accounting?](#)

[Hints and tips when doing your VAT Return - ROI](#)

[Making Tax Digital for VAT - FAQs](#)

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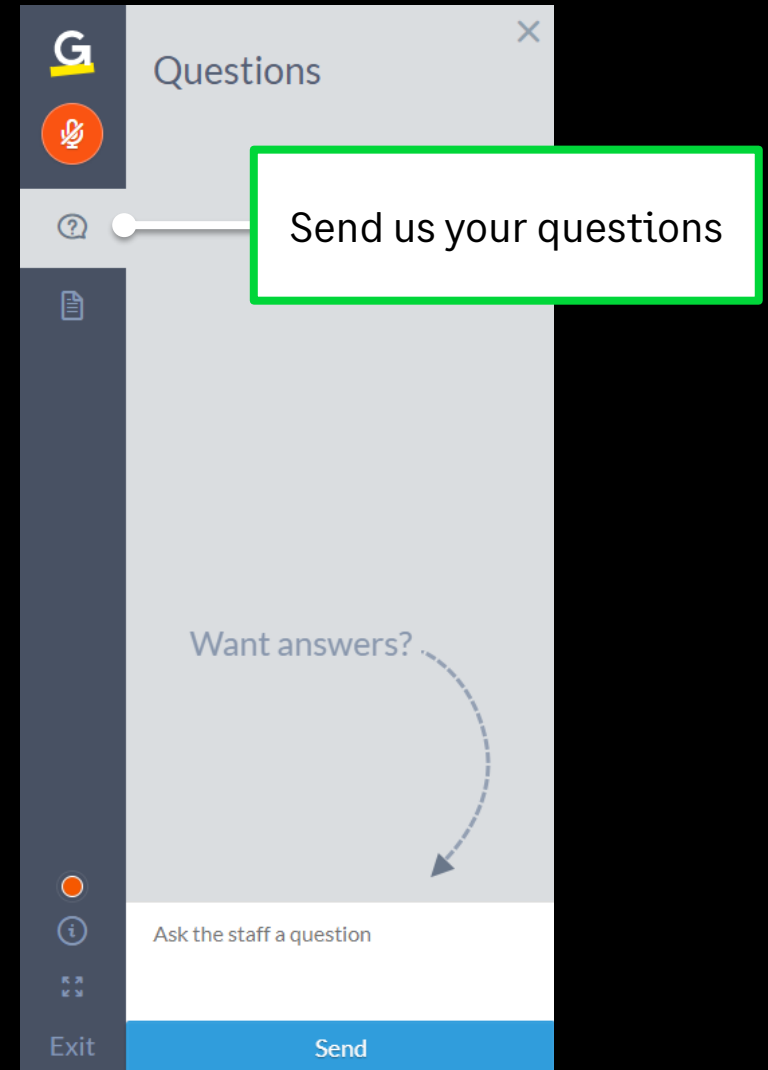
Session 7 – Correcting VAT transactions



# Questions

Submit your questions in the Q&A now!

Note:  
You'll receive an email later today containing links to register for future webinars and to watch recordings, including today's webinar.



# Thank you!

