Sage 50 Accounts

#7 Simplifying corrections – Correcting VAT transactions.

Jacqui Wilson

Sage

Housekeeping

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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 sessions **live** 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

Session 3 – Effortlessly complete and submit

Session 4 – Running reports for confident reconciliation

Session 5 – Exploring the VAT verification checks

Session 6 – Our top 5 Questions answered

Session 7 – Correcting VAT transactions

Sage

VAT proficiency
Sage 50 Accounts

Agenda

- **Amending a transaction**

- **Deleting a transaction**

- **VAT journals**

- **Manual adjustments**

- **Questions**

Editing a transaction

Editing a transaction.

Critical fields	Non Critical fields
When amended requires the original transaction to be cancelled and new one posted	Amendments can be made with no reversal or cancellation of the original

- Customer/Supplier Account reference
- Nominal code
- Bank Account
- Date
- Net /VAT Amount
- Tax code

- Transaction reference
- Transaction Details
- Department
- Payment reference
- Bank Reconciliation flag

Transaction details 'Deleted or Cancel - see tran (transaction number)' (sage.com)

Editing transactions – Non reconciled

If editing a non critical field the amendment is made to the transaction with no other impact.

If editing a critical field for example the date then the original transaction is updated with the corrected information and a new 'deleted' transaction is created with the original posting details.

The transaction marked as deleted references the transaction number of the corrected transaction.

1	SI	CUST1	4000	0		14/03/2024	11/03/2024	13/04/2024		100.00	23.00	T1	N
2	SI	CUST1	4000	0	Deleted - see tran 1	11/03/2024	11/03/2024	10/04/2024		100.00	23.00	T1	N

Editing transactions – Reconciled

If editing a non critical field the amendment is made to the transaction with no other impact.

If editing a critical field for example the date then the original transaction is reversed, in this case by posting a sales credit (SC) with identical details to the original invoice.

The new transaction matching the transaction type of the original transaction (in this case and SI) is created with the correct details.

No ▲	Type	Account	Nominal	Dept	Details	Date	Posted Date	Due On	Ref		Net	Tax	T/C	Paid
1	SI	CUST1	4000	0		11/03/2024	11/03/2024	10/04/2024	Cancel		100.00	23.00	T1	Y
2	SC	CUST1	4000	0	Cancel - see tran 1	11/03/2024	11/03/2024	11/03/2024	Cancel		100.00	23.00	T1	Y
3	SI	CUST1	4000	0		14/03/2024	11/03/2024	13/04/2024			100.00	23.00	T1	N

Editing transactions – Reconciled

Next time the VAT Return is generated after amending a previously VAT reconciled transaction the new transactions including any reversals will show as an 'Earlier unreconciled transaction'.

These should be included in the next VAT Return to report the correction and any new transactions to HMRC.

VAT Return - Earlier unreconciled transactions

? Help

2 transactions have been found for this VAT return. 2 of these transactions are unreconciled and before 01/04/2024.

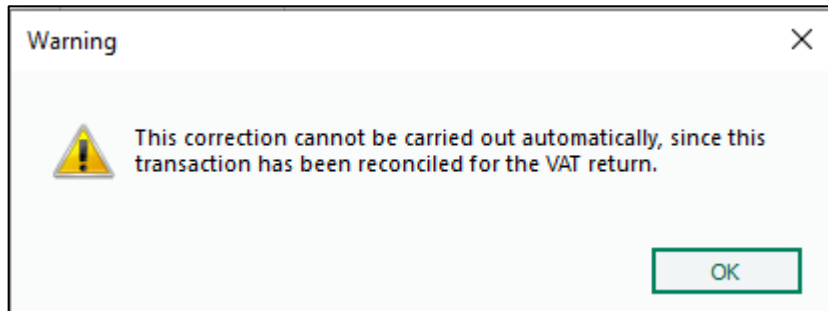Do you want to include these earlier unreconciled transactions?

No	Type	Account	Date	Nominal	Dept	Details	Ref	Ex Ref	Net	Tax	T/C
2	SC	CUST1	11/03/2024	4000		Cancel - see tran 1	Cancel		100.00	23.00	T1
3	SI	CUST1	14/03/2024	4000					100.00	23.00	T1

Print   To Excel   Include   Ignore

Deleting a transaction

Deleting transactions – Non Reconciled

If the transactions is not VAT reconciled than the transaction can be deleted, the transaction is marked as deleted and will not be picked up by the VAT return.

Confirm   ✕

? Do you wish to delete this transaction?

Yes   No
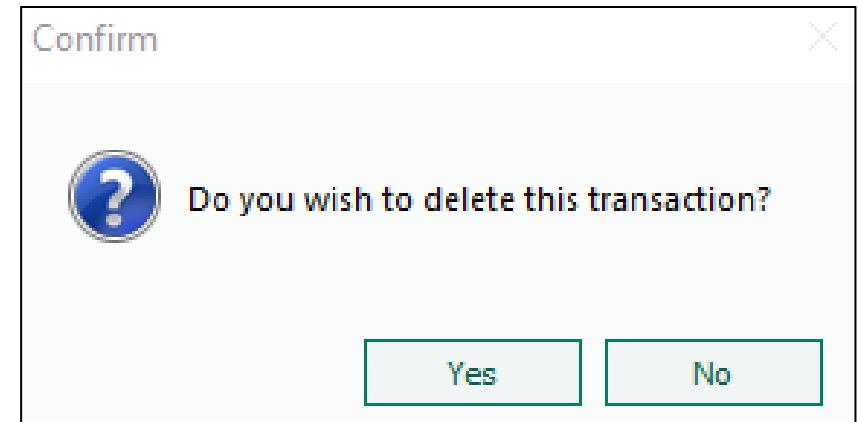
Deleting transactions – Reconciled

If the transaction is VAT reconciled than it can't be deleted.

When you click delete you are asked do you wish to reverse this transaction?

This will post another transaction with the opposite impact of the original transaction. For example, a sales credit will be posted to reverse a sales invoice.

Deleting transactions – Reconciled

Next time the VAT Return is generated after deleting a previously VAT reconciled transaction the reversal transaction will show as an 'Earlier unreconciled transaction'.

These should be included in the next VAT Return to report the correction and any new transactions to HMRC.

Deleting transactions – VAT Cash Accounting

Warning

⚠ This transaction has been allocated against a receipt and VAT calculated, therefore this change cannot be allowed.

OK

Warning

⚠ This correction cannot be carried out automatically, since this transaction has been reconciled for the VAT return.

OK

With VAT cash accounting once a transaction is reconciled deletion or amendment is no longer an option.

To correct these transactions a manual reversal must be posted to reverse the original transactions and new transactions created.

These reversal transactions and the new transactions must be picked up as earlier unreconciled transactions

VAT journals

VAT journals

- Journals can be posted to impact the VAT return by posting the journal using a VATable tax code.

- If the journal has been posted to the purchase tax or sales tax control accounts then the value will show as a VAT value.

- If any other nominal code is used then they will show as NET 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 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
Net VAT to pay to HMRC or reclaim	5	1666.67
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.

1 – VAT posted as a JC to nominal code 2200 shows in Box 1 of the VAT return. This therefore is included in the calculation for Box 5

2 – The net figure posted as a JC to nominal 4200 is picked up in Box 6

VAT journals - ROI

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

1 – VAT posted as a JC to nominal code 2200 shows in the first unnamed box of the VAT Return. This therefore is included in the calculation for Box T1 and T3

2 - The figure posted as a JC to nominal 4200 is picked up in unnamed box 3 towards the bottom of the return

Manual Adjustments

When you calculate your VAT Return, if required, you can make adjustments to your final figures before you reconcile your VAT Return. For example, to correct a past error that meets [HMRC VAT adjustment criteria](#).

Calculate and Check your VAT figures and within the ' Reconcile VAT Return' Window is the option to 'make adjustments,

VAT Adjustments are automatically posted using the program date. To post an adjustment with a different date, you must first change the software date within **Settings**, then click **Change Program Date**.

Manual Adjustments

VAT Manual Adjustments

To adjust the box values, click edit ✎ alongside the existing adjustment value, or press F3.

Box	Description	Calculated (£)	Adjustment (£)	Reported (£)
1	VAT due in the period on sales and other outputs	22769.65	0.00 ✎	22769.65
2	VAT due in the period on acquisitions of goods made in Northern Ireland from EU Member States	108.92	0.00 ✎	108.92
3	Total VAT due (sum of boxes 1 and 2)	22878.57	0.00	22878.57
4	VAT reclaimed in the period on purchases and other inputs (including acquisitions in Northern Ireland from EU member states)	7136.83	0.00 ✎	7136.83
5	Net VAT to pay to HMRC or reclaim	15741.74	0.00	15741.74
6	Total value of sales and all other outputs excluding any VAT	136146.42	0.00 ✎	136146.42
7	The total value of purchases and all other inputs excluding any VAT	72699.32	0.00 ✎	72699.32
8	Total value of dispatches of goods and related costs (excluding VAT) from Northern Ireland to EU Member States	6140.99	0.00 ✎	6140.99
9	Total value of acquisitions of goods and related costs (excluding VAT) made in Northern Ireland from EU Member States	8862.60	0.00 ✎	8862.60

Close

Adjustments can be made to most boxes which are not calculation boxes.

Figures can be increased or decreased.

Posting an adjustment will create a journal between the VAT liability 2202 and the VAT Manual adjustment nominal code (2204 by default).

Evidence to support an adjustment can be attached to the VAT return for future reference.

Summary

On standard VAT when corrections are made reversals are posted where any corrections are required on the VAT Return.

With VAT cash accounting, manual reversal of transactions may be required.

Reversals and corrected transactions must be picked up as earlier unreconciled transactions to report the changes to HMRC/Revenue.

Journals can be posted to impact the VAT Return but considerations need to be taken into the tax code and nominal code used.

Manual adjustments can be made direct to the VAT Return and these result in adjustment journals being posted.

Useful links

Correct transactions

How do I correct an audit trail transaction?

Why can't I delete or amend a transaction?

Post journals so the VAT Return is correctly affected - UK only

Adjust your VAT Return

Thank you!