



Ask Sage Article 22892.

How to account for the decrease in the standard rate of VAT - VAT Cash Accounting

Summary

From 1 December 2008, the standard rate of VAT will decrease from 17.5% to 15%. This article explains how this change affects Sage Accounts and what you need to do.

This article only applies to the VAT Cash Accounting scheme. If you are using the Standard VAT scheme, please refer to Ask Sage Article 22891.

Note: The following are not affected by the change in VAT rate:

- Zero rated goods, for example, basic foodstuffs, children's clothing and children's footwear.
- Goods and services subject to VAT at the reduced rate of 5%.

Answer

Note: Following the change in VAT rate, there are specific rules relating to the VAT cash accounting scheme that should be followed. The scheme allows you to account for your VAT liability when you receive payment. It does not affect the tax point. The tax point is the time the sale is made under the law and it determines the rate of tax applicable.

We cannot advise which VAT rate you should apply in specific circumstances. If you are unsure, please confirm the correct VAT rate with HMRC.



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To change the VAT rate in Sage Accounts

To change the standard rate of VAT in Sage Accounts, you should edit the standard rated tax code, T1 by default.

Note: You should make this change on 1 December 2008.

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 appears.

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 15 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.



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

Sage Instant Accounts v14 - 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.