

Sage 200 & MMS - How to account for the increase in the standard rate of VAT

Summary

From 1st January 2010, the standard rate of Vat will increase from 15% to 17.5%. This article explains how this change affects Sage 200 & Sage MMS and what you need to do

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

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

Note:

We are unable to advise which VAT rate you should apply in specific circumstances. If you are unsure, please confirm the correct VAT rate with HMRC either by phone or by consulting the relevant guidance on the HMRC website, <http://www.hmrc.gov.uk>

Answer

Sage 200 & MMS

Important Notice:

We recommend that you print & post any invoices that are presently in the system that require to be invoiced at the 15% 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 17.5%

You should also edit the EC Standard Purchase Ledger (PL) Code (Purchases, Good and related Services) to 17.5%

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 15%
- Ensure relevant Input/ Output Nominal Codes

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Sage 200 Software Support

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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 17.5% 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.

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