

Article topic: Business Services

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Changing VAT rate – accounting software

On 4 January 2011 the standard rate of VAT will once again increase, this time to 20%, as part of the government's drive to reduce to spending deficit we are faced with currently.

Below are the steps you need to take to amend your accounting software, depending on the type of system you use. We list the three most popular accounting packages, but if the software used by your business is not covered, please call your main Target contact and they will put you in touch with someone who can help.

Sage Line 50

- Perform a back-up of current data;
- Go to: Settings/Configuration;
- Select the tab: "Tax Codes";
- Select code: "T1";
- Select: "Edit";
- Within the edit tax code box, change the rate from 17.50 to 20.00;
- Select: "OK";
- Select: "Apply";
- Select: "Close";
- The program asks "Save changes?" – select "No" (already applied).

Xero*

- Go to: Settings/Chart of Accounts;
- Click 'Tax Rate' to re-sort the list;
- Tick all the '17.5% (VAT on Income)' items;
- Click 'Change Tax Rate' and change to '20% (VAT on Income)';
- Now repeat the process for '17.5% (VAT on Expenses)', changing it to '20% (VAT on Expenses)';
- This changes the default tax code when entering invoices/bank activity. From the drop down list in each of these screens '17.5% (VAT on Income/Expenses)' will still be available to use if needed.

QuickBooks

- Perform a back-up of current data;
- Select: Lists – Item List – Item - New ;
- Change Type to VAT Item and fill in the rest of the details making sure the VAT rate % is set to 20%
- Repeat this process for both sales and purchases:
- Select VAT – VAT Code List – VAT Code – New
- Enter 20% VAT as your descriptions then select the 20% rate for your Purchases and Sales
- Select: Lists;
- Select: Item List;
- Double click on the items you want to change;
- Change the Sales/Purchase VAT Code to 20.00%;
- Repeat with all other items that are 20% rated.

For more information on changing your accounting software, please speak to our Business Services team.

*Information subject to confirmation from Xero.

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