

## VAT Changes

Per the pre budget report announced on 24<sup>th</sup> November 2008, standard rated VAT is to be reduced to 15% from 17.5% for the 13 month period commencing 1<sup>st</sup> December 2008.

The rate of vat charged is dependent on the date of supply which is not necessarily the date of the invoice. Be aware that when reclaiming VAT the amount reclaimed must agree to the suppliers invoice. Due to the date of supply the invoice may be issued in December but VAT has still been applied at 17.5% as the supply was made in November. The same also applies to credit notes. The credit note issued must reflect the VAT rate charged at the time of the supply. So a credit note issued in January 2009 to correct an invoice issued in November must be calculated at 17.5% VAT.

We recommend that in your bookkeeping system you should set up a new tax code to account for the new rate. If you use sage then instructions are provided below as to how to set up a new tax code. Sage will not recalculate VAT on transactions already posted with the old VAT rate.

If you do not use Sage then it is important to establish if your system will recalculate the VAT on postings prior to 1 December before changing the rate.

If any help is needed in setting up the new tax code or understanding the date of supply then please forward all queries to a member of the Corporate Services department on 0141 566 7000 or email [info@wyliebisset.com](mailto:info@wyliebisset.com)

### How to Set up a New Tax Code in Sage

1. When in sage click on settings and then configuration.
2. In the Configuration Editor window, click the Tax Codes tab.

The Tax Codes information appears, listing all the VAT rates currently available for you. The list also shows whether each rate is 'In Use' (i.e. included on your Sage Line 50 VAT Return), and whether the rate will be used for transactions with EC countries.

3. Select the tax code you want to amend and click Edit. In most cases the first unused tax code will be T3.
4. Enter 15.0 in the Rate text box provided.
5. As this rate will be included in your VAT return select the 'Include in VAT Return' check box.
6. To change the tax code description, type the text you require into the Description box. Suggested description 'Standard rated 15% from 01/12/08'.
7. To save the details of this tax code, click OK.
8. To apply the changes you have made to your current company, click Apply.
9. To save your changes to your template file, click Save.

When processing bank payments and receipts a default tax code is shown that can be overwritten if necessary. To set the default tax code for bank payments and bank receipts as T3 you must change customer and supplier preferences. This is done as follows:

1. When in sage click on settings and then customer defaults.
2. Change the std tax code box to T3 and then click OK.
3. Repeat steps 1 and 2 but select supplier defaults.

The above does not cover all of the points that clients need to consider but should hopefully cover initial queries.

Some clients may prefer just to change the T1 code to 15%, which is possible but will mean it's harder to track the different rates and that they have to overwrite the rate for any late November postings, credit notes etc.

Contact Lorna Wyllie or Yvonne Kemp on 0141 566 7000 who will be happy to assist.