Summary

The Irish government announced a lowering of the standard rate of VAT for Ireland as part of the Job Stimulus Package in July 2020. The standard VAT rate was lowered from 23% to 21% for 6 months effective 1 September 2020 through to 28 February 2021. This article explains how to revert back to a standard VAT Rate of 23% in Sage 50cloud Accounts from 1 March 2021.

Description

What's changing?

From 1 March the Standard Rate of VAT in the Republic of Ireland reverts back to 23%.

Resolution

When the reduction of the standard Rate of VAT was announced, there were two approaches you could take in your Sage 50cloud Accounts software. You could either create new tax codes to be applied for the duration of the reduction of the standard rate, or you could edit your default standard rate tax codes and apply the lower percentage rate. The action you took before 1 September 2020 affects what you need to do from 1 March 2021.

📌**TIP:** If the change in rate is occurring in the middle of your VAT period, your VAT Return will still be correct as it will pick up the transactions based on their individual dates and tax codes.

Tax codes

Scenario 1 - I created new tax codes

If you created new tax codes for the reduced standard rate of VAT, from 1 March you simply need to start using your original standard rate tax codes again. The default standard rate codes are:

- T1 - Standard rated sales and purchase of goods for resale
- T8 - Standard rated purchases of goods from suppliers in EC
- T11 - Standard rated purchase of goods for non-resale
- T18 - Standard rated purchases of goods from suppliers in EC
- T24 - Standard rated purchases of services from suppliers in EC

Scenario 2 - I edited my existing codes

If you edited you existing tax codes, normally T1, T8, T11, T18 and T24, then you should edit them again to change the percentage rate back to 23% as at 1 March 2021.

To edit a tax code

1. On the menu bar click **Settings**, click **Configuration** then click **Tax Codes**.
2. Select the required tax code and click **Edit**.
3. Edit the information as required.
4. Click **OK** then click **Apply.**
5. Click **Close**, then if prompted to save the changes, click **No**.

Recurring Entries - Invoices and credits

If you use the recurring entry function in your software, any recurring items that include tax rates that need to be updated should be edited and amended from 1 March.

1. Ensure you have processed your entries up to 28 February.
2. Click **Invoices and Credits**, **Sales Orders** or **Purchase orders** as required.
3. Click **New** or **New Invoice** then click **Recall**.
4. Note the reference of the item you with to change, select it and click **Load**.
5. Double-click the description of the item you want to amend.
6. Change the tax code to **T1** or equivalent, and click **OK**, then repeat for any other items affected.
7. Click **Memorise** and enter the reference you noted in step 4.
8. Click **Save** and click **Close**.

Recurring Entries - Bank transactions

If you use the recurring entry function for bank transactions, you may need to update your recurring payments, receipts or if you use VAT Cash Accounting, Sales payments on account.

1. Ensure you have processed your entries up to 28 February.
2. Click **Bank**, then click **Recurring**, select the required item and click **Edit**.
3. In Posting Amounts, change the Tax code to **T1** or equivalent and click **OK**.
4. Repeat for any other recurring items.

Memorised batch invoices or credits

If you have memorised batch invoices or credits for regular use, you can update these templates if you need to amend the tax code.

1. Click **Customers** or **Suppliers** as required, then click **Batch invoice** or **Batch Credit**.
2. Click Recall and make a note of the template name you choose to edit.
3. Amend the tax code to **T1** or equivalent and click Memorise.
4. Save the file using the same file name you noted in step 2.

Memorised bank payments or receipts

1. Click **Bank**, then click **Bank payment** or **Bank receipt** as required.
2. Click **Recall** and make a note of the template you choose to edit.
3. Amend the tax code to **T1** or equivalent and click **Memorise**.
4. Save the file using the same file name you noted in step 2.

Outstanding Orders and Invoices

If you have any outstanding invoices or orders to update on or after 1 March, you may need to edit the tax codes used on these items.

1. Open the required module, for example Invoices and credits or Sales orders.
2. Double-click the required item.
3. Double-click the description of the item.
4. Amend the tax code to **T1** or equivalent.
5. Click **OK**, and then click **Save**.

Customer, Supplier and Product records

Tax codes are stored in the customer, supplier and product records, if you need to change the tax codes for some or all of your records there are several approaches you can take.

- If only a small number of records are affected, you can manually edit the records, change the tax code and save them again.
- If a larger number of records are affected you can use the Batch changes option - This feature is available in Sage 50 Accounts Standard and Professional.
- If you use Sage 50 Accounts Essentials, and you need to amend a large number of records, you can export the records, amend the tax codes and import the records again.

Further information

- If you're unsure if a transaction is vatable, or if you require further advice about VAT compliance, and how to approach this change in your business, we recommend that you contact Gov.ie or your accountant.