

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

On 1 January 2010, the standard rate of VAT decreases from 21.5% to 21%. This article explains how to change the standard VAT rate in Sage 50 Accounts.

This article only applies to the VAT Cash Accounting scheme. If you are using the Standard VAT scheme, please refer to the [Standard VAT article](#).

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 Revenue either by phone or by consulting the relevant guidance on the Revenue website, www.revenue.ie

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 13.5%.

Note: Following the change in VAT rate, there are specific rules relating to the VAT Cash Accounting scheme that you must follow. 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.

To change the VAT rate in Sage Accounts

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

Note: You should make this change on 1 January 2010.

1. Open the Settings menu, choose Configuration then click the Tax Codes tab.

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. In the Rate box, enter **21.00** 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.

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

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. If you have any memorised or recurring entries, you must update the VAT rate before posting.