BREXIT READY ✅

Using Sage 50cloud Accounts Professional for Postponed VAT Accounting.
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As we all prepared for our unique Christmas, the EU and UK Government finally agreed on a deal. Brexit was finalised and Sage was quick to respond releasing v27.1 ready to roll when we all returned to our offices in the New Year (for a whole day in ACIT's case, but that is another story!) The software has not been pushed out automatically as this would have created a perceived overload on Sage's support team. ACIT have assisted customers as they have needed it, download links are available at the end of the document.

What is new in V27.1 to deal with Post Brexit Imports using Postponed VAT Accounting?

Sage 50cloud Accounts v27.1 automatically adds the following tax codes, if these tax codes have been used for any other reason it will use the next range available:

Code	Rate	In Use	Exports	Imports	Description
T15	0.00	Y	N	Y	Purchase of services from ROW - Reverse charge
T16	0.00	Y	N	Y	Purchase of services from ROW - No VAT
T17	0.00	Y	N	Y	Import of goods - Under import reverse charge threshold
T18	20.00	Y	N	Y	Import of goods - Postponed VAT
T19	20.00	Y	N	Y	Import of goods - VAT not postponed

The first couple are used for purchase of services, the last three are used for import of goods. In this guide we are going to concentrate on T18, the Import of Goods with Postponed VAT Accounting.

You do not need to but, if you want to see the setup in Settings | Configuration | Tax Codes, there are dynamic fields that appear. If a tax code is ticked to Enable Import/Export code you can then select whether it is a Sales or Purchase tax code and whether it is for goods or services. If the Post EU withdrawal box is ticked the Import Settings are activated, it is here we can detail how we wish to deal with the VAT on these transactions. Please note the T18 tax code has a rate of 20% linked to the standard T1 tax code.

I am going to take you through the process of configuring an import supplier, setting your products up correctly, ordering the goods on a PO, recording the invoice and running post Brexit VAT returns.

Import Supplier Accounts

Your EU suppliers are probably set up with a default tax code of T8. This allowed us to record invoices with zero VAT but reported the net value of purchases from EU suppliers (Box 9) and performed a reverse charge, adding the perceived VAT content to both the output (Box 2) and input tax (Box 4) sections of our VAT return.

We need to be update these to be T18 as below. It is important to make sure that the "Use default Tax Code for Purchases" box is ticked, this overrides the tax code on the product when purchasing:

If you have several suppliers to change, I recommend using the filter and batch change functionality.

Firstly, apply a filter of all suppliers with a default tax code of "T8":

Then click on swap to highlight them all and click on Batch Change, you can then change the tax code under the defaults tab, remembering to tick the box:

Click on **Save** and agree to update multiple records.
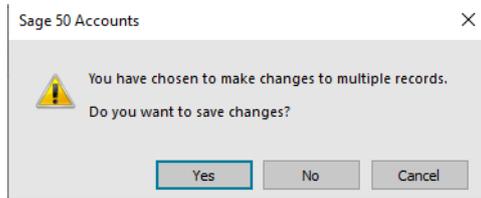
Your import suppliers are now ready to trade with.

Setting up Country of Origin & Commodity Codes for Products

In v26 Sage introduced a new box on the product records to record the Country of Origin, we are recommending using a filter and batch change to update these too, including any Intrastat Commodity Codes that may not be recorded:

This information is required on export documentation and ACIT can assist in making sure that your invoices/delivery notes include the relevant detail, but in a dynamic manner meaning that your UK customers are not subjected to un-necessary detail.

Raising a Purchase Order to an Import Supplier

When raising a purchase order to a supplier with a default tax code of T18, having ticked the "Use default tax code for purchases" box on the supplier record, all items on the PO will use this tax code. (This can also be used to edit an existing PO by opening it and reselecting the supplier).

However, the thing you will notice is that **VAT is calculated at 20% on all lines!**

Now this is easy to say, but don't worry……. I will explain how it works.

We need the VAT to be recorded here, it is not ideal but using the standard Sage Purchase Order layouts (and every custom one that I have ever created in nearly 25 years of report designing in Sage) will display the VAT on the PO, on the line (if shown) and at the bottom.

Now quite frankly we do not want this to go to our supplier like this:

So the Purchase Order layout needs amending. This is a one off and takes about 5-10 minutes to do.

On the Purchase Order layout click on "Edit", either from in Sage or on a preview:

This brings up the report designer, we are going to edit a few fields. The first two are on the ITEM_NUMBER Header and Footer, where the value is currently POP_ITEM.FOREIGN_TAX_AMOUNT, this shows the value of VAT for that line, not something we wish to show on our Import POs. If you double click on the box you get an Expression Editor box up:
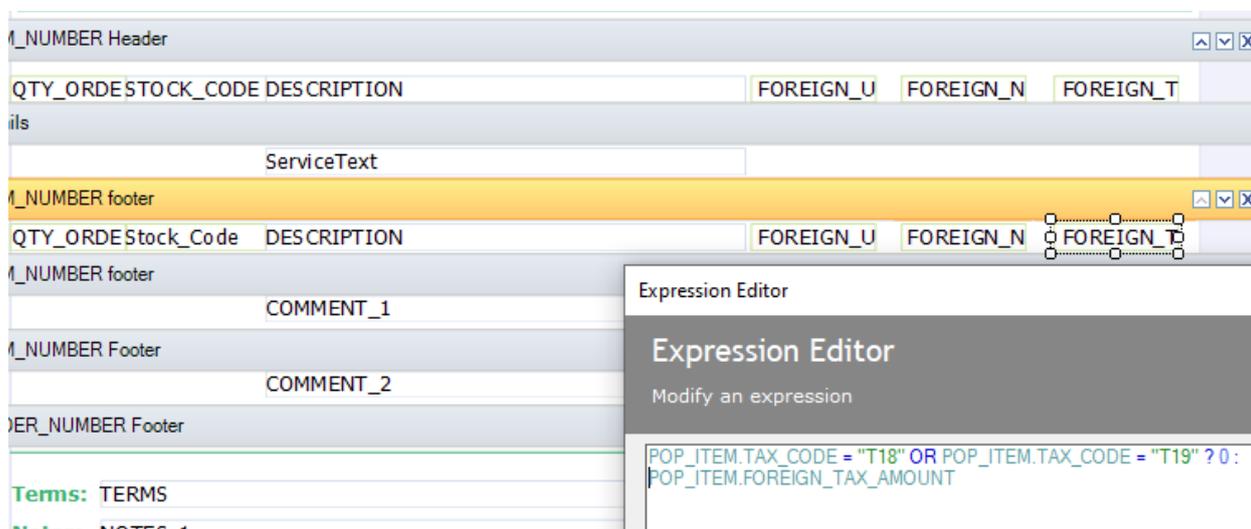
In the box, copy the above expression (it basically says that if the tax code is T18 or T19 then show a zero, if not then show the VAT amount). We need to repeat this for the variable in the box (in this case) above.

In my example here, using the View | Properties menu (which brings the properties up on the right hand side), I have named the fields in the Design section.
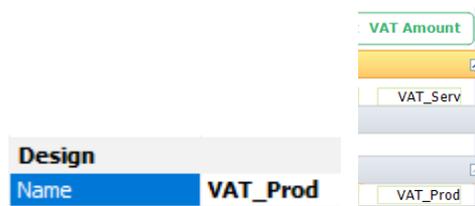

Now when I print my Purchase Order I show no VAT on my line items:

Quantity	Stock Code	Description	Unit Price	Net Amount	VAT Amount
75	DONALD	Donald Duck Cuddly Toy	11.00	825.00	0.00
100	GOOFY	Goofy Cuddly Toy	11.00	1,100.00	0.00
100	MICKEY	Mickey Mouse Cuddly Toy	11.00	1,100.00	0.00
125	PLUTO	Pluto Cuddly Toy	11.00	1,375.00	0.00

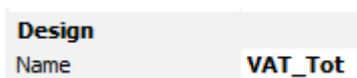To remove the VAT from the totals below I need to build an expression in the footer too.

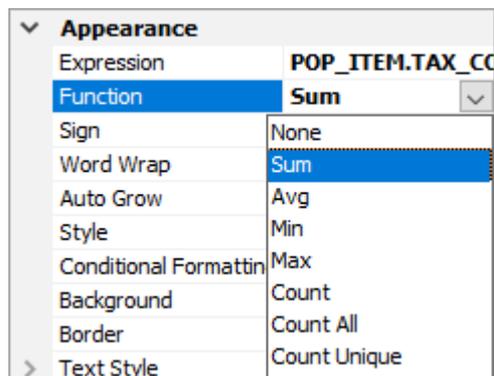Right click on one of the fields I created (either is ok) and select "Copy"
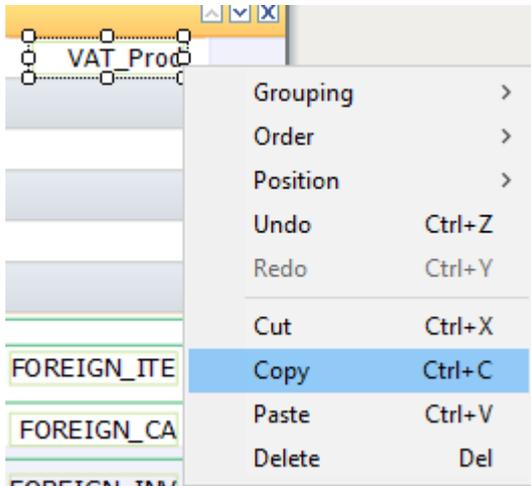
Paste the field anywhere in the ORDER_NUMBER footer (where the totals are).
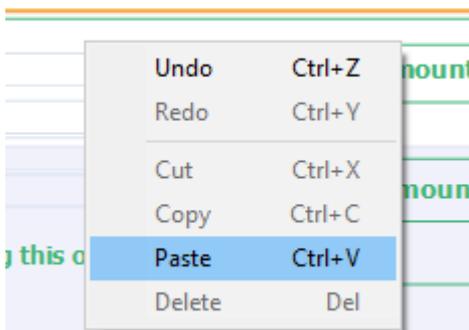
With my new field in my footer highlighted, from the Properties pane I am going to rename it under the Design heading to "VAT_Tot"

And under the Appearance section change its function from "None" to "Sum"
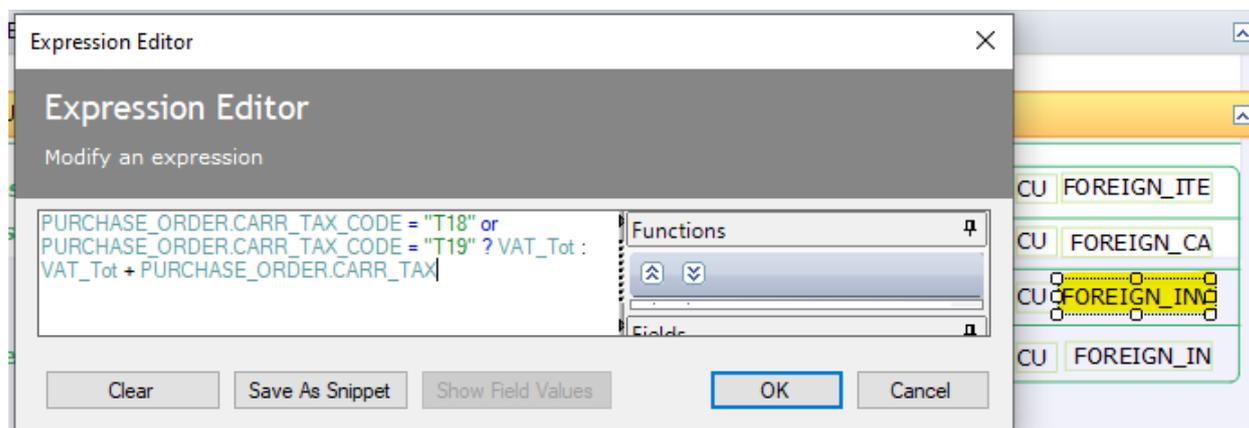

And the Suppress Printing flag to "True"

This is going to add up the total VAT on the lines on the order, but the value is going to be hidden.

Now double clicking on the PURCHASE_ORDER.FOREIGN_INVOICE_TAX variable we are going to edit the value as below:

This basically says that if the tax code used on the carriage charge is T18 or T19 then ignore the VAT value for carriage and include only the VAT total we just made (which if all items are T18 or T19 will be zero), but if the tax code used on carriage is not T18 or T19 then add the VAT on carriage to the VAT total we created.

This will now display the Purchase Order in a manner that is going to make sense to our Import supplier, with the net values and carriage totals showing correctly without any provision for VAT.

Total Net Amount	€	4,400.00
Carriage	€	15.00
Total VAT Amount	€	0.00
Order Total	€	5,298.00

Using the same layout, we can still run Purchase orders for local suppliers where it will show the VAT analysed as before:

Quantity	Stock Code	Description	Unit Price	Net Amount	VAT Amount
150	BEEF001	Beefeater Cuddly Toys	12.50	1,875.00	375.00

Total Net Amount	£	1,875.00
Carriage	£	10.00
Total VAT Amount	£	377.00
Order Total	£	2,262.00

Please see download section to download the layout I created to review the above.

Recording an Import Supplier Purchase Invoice using Postponed VAT Accounting

With the relevant order highlighted, click on Update on the Purchase Order screen as normal. Adjust the summary details to match the invoice as needed, and click on Update:

No.	Supplier	Date	Code	Order	Deliver	O/S	Inv'ed	To Inv
1	Euro Disney	18/01/2021	DONALD	75.00	75.00	0.00	0.00	75.00
1	Euro Disney	18/01/2021	GOOFY	100.00	100.00	0.00	0.00	100.00
1	Euro Disney	18/01/2021	MICKEY	100.00	100.00	0.00	0.00	100.00
1	Euro Disney	18/01/2021	PLUTO	125.00	125.00	0.00	0.00	125.00
1	Euro Disney	18/01/2021	CARRIAGE	1.00	0.00	0.00	0.00	1.00

Enter the invoice number and date as necessary and attach the invoice

A/C*	Attach	Date*	Due On*	Ref	N/C*	Details	Net €|T/C*	VAT €
EURO001	+	18/01/2021	17/02/2021	12345	5000	Donald Duck Cuddly Toy	825.00 T18	165.00
EURO001	+	18/01/2021	17/02/2021	12345	5000	Goofy Cuddly Toy	1100.00 T18	220.00
EURO001	+	18/01/2021	17/02/2021	12345	5000	Mickey Mouse Cuddly Toy	1100.00 T18	220.00
EURO001	+	18/01/2021	17/02/2021	12345	5000	Pluto Cuddly Toy	1375.00 T18	275.00
EURO001	+	18/01/2021	17/02/2021	12345	5000	Carriage	15.00 T18	3.00

A/C: Euro Disney   Currency: 3 Euro   Tax Rate: 20.00
N/C: Materials Purchased   Exchange Rate EUR €*: 1.120000   Total EUR €: 5298.00

4415.00   883.00

You will notice that the VAT column has the VAT values populated although they have obviously not been invoiced to you and are not on the supplier's invoice!
Don't worry, I told you I would explain it…..

Leave the VAT values as they are (at 20% of the net amount) and click on Save. The software will then prompt you to state the tax codes selected indicate you are using postponed VAT accounting and explains that it is going to sort everything out for you:
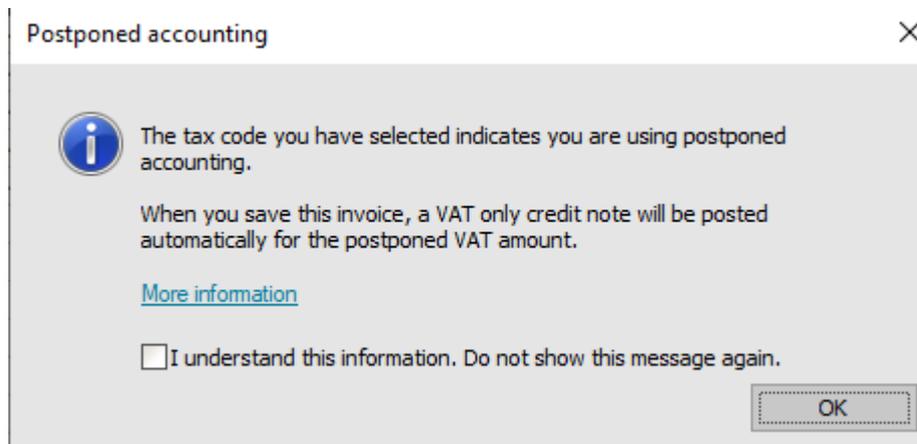
The transaction has been posted and shows as two lines on the supplier's account, with the credit note allocated to the invoice to only show the balance of the invoice value:

The VAT values of both transactions are shown in the Purchase Tax Control Account, countering each other out as there is no liability as you are postponing the VAT to the stage that you can reclaim it:

Finally I am going to detail what happens when you produce your VAT return. For ease of understanding my company has not done anything else except order, receive and be invoiced for that one order (N.B. these transactions are in £ - GBP not € -Euros)

VAT Return   B R Exit (Europe) Ltd

01/01/2021 - 31/01/2021

VAT due in this period on sales	1	788.39
VAT due in this period on EC acquisitions	2	0.00
Total VAT due (sum of boxes 1 and 2)	3	788.39
VAT reclaimed in this period on purchases	4	788.39
Net VAT to be paid to Customs or reclaimed by you	5	0.00
Total value of sales, excluding VAT	6	0.00
Total value of purchases, excluding VAT	7	3941.96
Total value of EC sales, excluding VAT	8	0.00
Total value of EC purchases, excluding VAT	9	0.00

The VAT return is going to include the amount payable in Box 1 (not box 2 as it did pre Brexit on EC acquisitions)

VAT Breakdown - VAT due in this period on sales

VAT due in this period on sales	1	788.39

T/C	Sales Invoices	Sales Credits	Receipts	Journal Credits
T0	0.00			
T1	0.00			
T2	0.00			
T3	0.00			
T5	0.00			
T6	0.00			
T15	0.00			
T17	0.00			
T18	788.39			
	788.39			

Double click on any cell in the grid above to see the trans

VAT Breakdown - Transactions   ✕

Tax Code : T18   Sales Invoices - VAT

No	A/C	Date	Details	Amount
1	5000	18/01/2021	Donald Duck Cuddly Toy	147.32
2	5000	18/01/2021	Goofy Cuddly Toy	196.43
3	5000	18/01/2021	Mickey Mouse Cuddly Toy	196.43
4	5000	18/01/2021	Pluto Cuddly Toy	245.53
5	5000	18/01/2021	Carriage	2.68

Total : 788.39

The same amount is going to show as reclaimed in Box 4 of the VAT return

The Total value of purchases, excluding VAT is the net value of the goods, nothing is populated to the Total Value of EC Purchases.

Summary

I hope that this guide has answered your questions, if you need additional support we are here to help. Below are some helpful links to make life easier for you, however if you are stuck, please call us on 01268 975007.

Useful links:

Sage 50cloud Accounts Full Program v27.1
Sage 50cloud Accounts Upgrade v27.0 to v27.1
ACIT Example Post Brexit Purchase Order
Gov.uk Guidance to VAT imports, acquisitions and purchases from abroad
Sage's blog about customs and VAT after Brexit