

VAT RATES HELPSHEET

When using accounting software the VAT code used determines where the transaction is included on your VAT return so it is important that these are used correctly. Here is a quick guide to which codes should be used on the common accounting softwares:

	SAGE	XERO	QUICKBOOKS
ZERO RATED	T0	Zero Rated Expense Zero Rated Income	0% Rated
STANDARD RATED	T1 – 20%	20% (VAT on Expenses) 20% (VAT on Income)	20% S (in QuickBooks this is used for both sales and purchases)
EXEMPT	T2 – exempt transactions	Exempt expense Exempt income	Exempt
REDUCED RATE	T5 – 5%	5% (VAT on Income) 5% (VAT on Expense)	5% R
OUTSIDE THE SCOPE OF VAT	T9	No VAT	Outside the Scope of VAT
EC SALES	T22 – Sales of services to VAT registered customers in EC. T4 – Sale of goods to VAT registered customers in EC	Zero rated EC Goods Income Zero rated EC Services	ECG/ECS – 0% Intra EU B2B Supply of Goods/Services.
EC ACQUISITIONS	T7 – Zero rated purchases of goods from suppliers in EC. T8 – Standard rated purchases of goods from suppliers in EC.	EC acquisitions (20%) – used for goods purchased from suppliers in EC. EC acquisitions (Zero Rated) used for purchases made from suppliers in EC.	ECG – 20% Intra EU B2B purchase of goods.
REVERSE CHARGE EXPENSES	T24 – Standard rated purchases of services from supplier in EC. T23 – Zero rated or exempt purchases of services from suppliers in EC	Reverse Charge Expense (20%)	RC – 20%

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Here is a quick overview of what each of the VAT rates are and some examples:

	OVERVIEW	EXAMPLES
ZERO RATED	As the name suggests there a 0% VAT on certain items. Zero rated items still need to be reported on the VAT return.	<ul style="list-style-type: none"> ● children's clothing ● books ● newspapers ● travel ● most foods ● medicine ● sales to countries outside the EU
STANDARD RATED	Standard rated goods and services have VAT charged on them at 20% for VAT registered businesses.	<ul style="list-style-type: none"> ● Most goods and services
EXEMPT	Items exempt from VAT so no VAT is charged. Exempt items still need to be reported on the VAT return.	<ul style="list-style-type: none"> ● insurance ● finance and credit ● fund raising ● subscriptions to membership organisations ● stamps
REDUCED RATE	There is a reduced rate of 5% VAT on certain items.	<ul style="list-style-type: none"> ● home energy ● children's car seats
OUTSIDE THE SCOPE OF VAT	Transactions not involving VAT. These will not need reporting on the VAT return	<ul style="list-style-type: none"> ● wages ● bank and cash transfers ● PAYE/NI contributions ● dividends
EC SALES	These are Sales made to VAT registered customers in the EC. These could be goods or services. These should be reported on the VAT return.	
EC ACQUISITIONS	These are Purchases supplied from suppliers based in the EC. These could be goods or services. These should be reported on the VAT return.	
REVERSE CHARGE EXPENSES	<p>These relate to services that you buy from businesses who are based outside the UK.</p> <p>In B2B transactions, it is the customer who must account for any VAT due via the reverse charge mechanism (includes the VAT in both sales and purchases).</p>	