Reconciling your net settlement

Reconciling your net settlement against the sales invoices in your accounting system

When reconciling bank payments with received amounts, there may be a small difference due to the fees charged.

Net settlements will not impact VAT returns. You should always record the sale as paid in full (gross), and any processing fees charged should be recorded as an expense.

Each accounting software handles these fees differently. The general principle remains the same: the sale is recorded as 100% received, with the fees treated as an expense. Some software solutions allow this to be done within the same window when marking invoices as paid, while others may require an additional journal entry.

Below are the leading accounting software providers and their respective solutions:

Xero

https://central.xero.com/s/article/Reconcile-a-bank-statement-line-using-Find-Match#:~:text=If%20a%20statement%20line%20includes,bank%20fee%20adjustment%20during%20reconciliation.&text=Web%20iOS%20Android-,For%20the%20relevant%20bank%20statement%20line%2C%20click%20Find%20%26%20Match.,Adjustments%2C%20then%20select%20Bank%20fee

QBO

https://quickbooks.intuit.com/learn-support/en-au/help-article/bank-feeds/account-bank-fees-matching-transactions-bank-feed/L67lX12yz_AU_en_AU

FreeAgent

https://support.freeagent.com/hc/en-gb/articles/115001217630-How-to-split-a-transaction-for-commission-or-fees-deducted

Sage Cloud

https://gb-kb.sage.com/portal/app/portlets/results/viewsolution.jsp?solutionid=222001000100752&hypermediatext=null#:~:text=Match%20existing%20transactions%20%3E&text=Select%20Match%20in%20the%20middle%20of%20the%20transaction.,the%20matching%20payments%20or%20receipts.

Freshbooks

https://support.freshbooks.com/hc/en-us/articles/7588492035469-How-do-I-reconcile-complex-transactions-in-bank-reconciliation/#balances

Freeagent

https://support.freeagent.com/hc/en-gb/articles/115001217630-How-to-split-a-transaction-for-commission-or-fees-deducted

Please use the above information as reference only, we are not advising you on your financial record keeping. If you are ever in doubt on how you reconcile transactions, then you must speak to your accountant or bookkeeper for advice.

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