A PRACTICAL GUIDE

Switching to cloud — without breaking VAT

How UK businesses with specialist VAT regimes can migrate from Sage 50, QuickBooks Desktop, and other legacy systems to cloud accounting without losing compliance, control, or sleep.

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Five pages. Ten minutes to read.

The migration that everyone's been delaying

If you're running a UK business on Sage 50, QuickBooks Desktop, Pegasus, TASBooks, or a custom Access database, you've probably been thinking about cloud accounting for years. The platforms are mature. The integrations are good. Your accountant has been gently nudging. MTD made the conversation more urgent. Most of the friction is gone.

Except for one thing. If your business uses any specialist VAT regime — partial exemption, TOMS, the margin scheme, split business/non-business activities — then 'move to Xero' isn't actually a complete plan. It's the first step. The second step is figuring out how to handle the specialist regime in a platform that doesn't natively support it. Many businesses delay the move precisely because they haven't worked out what step two looks like.

Why this matters more than it used to

From the AccountingWEB community, on partial exemption: "We deal with a lot of medical practices with pharmacies. We cannot bring them on to Xero as the partial exemption is too complicated to do." That's a practitioner saying out loud that they're holding clients on legacy platforms because the cloud platforms can't handle the VAT regime.

Multiply that by every motor trader still on Sage 50 because of margin schemes. Every tour operator still on QuickBooks Desktop because of TOMS. Every charity still juggling spreadsheets because of business/non-business apportionment. The pattern is consistent: businesses with specialist VAT regimes get stranded on legacy software because nobody's solved their full-stack problem.

Who this guide is for

Businesses on Sage 50 or 200	Where the VAT regime is the reason you haven't moved yet
Practitioners with stranded clients	Where you'd recommend cloud but the VAT complexity makes it impractical
Charities mid-modernisation	Particularly those moving off custom databases or old Access systems for governance reasons
Motor traders with old DMS systems	Where the dealership management system is still tied to Sage Instant
Tour operators on legacy travel software	Where the booking system has been the limiting factor
Anyone facing MTD ITSA in 2026	The next compliance horizon that might force the question

The five things that go wrong

Cloud migration done badly creates problems that can take years to fully unwind. The patterns are predictable. Each of these is documented in practitioner reports of post-migration VAT problems.

1. VAT scheme not properly mapped

From a Sage-to-Xero migration specialist: "VAT errors are a frequent problem during migration. Tax mapping can also create errors. VAT or sales tax codes work differently in each system. If codes do not match the correct rules, the totals in Xero will not line up with the reports from Sage 50."

Sage's tax codes (T0 through T9 plus extensions) don't map one-to-one to Xero's tax rates. T1 (standard rated) is obvious. T0 (zero rated) maps cleanly. T2 (exempt) requires thought. T3, T4, and the higher numbers are configurable in Sage and frequently used for partial exemption flagging. The mapping has to be explicit, documented, and tested before any historical data flows.

2. Stock book lost or unmaintained

If your old system maintained a stock book for margin scheme purposes — even a simple Excel-based one inside the Sage environment — the migration tools won't carry it across. Movemybooks, Xero's recommended migration partner, brings across customers, suppliers, transaction history, and tax codes. It does not bring across margin scheme stock books.

If you migrate without a stock book plan, your first VAT return on the new platform won't have the underlying records HMRC requires.

3. Partial exemption history disappears

Cloud migration tools typically carry across one to two years of transaction history. They don't carry across the partial exemption working papers, recovery percentages, de minimis test outcomes, or annual adjustment journals from prior years. If HMRC audits you in year three of cloud and asks for your year-zero PE workings, you'd better have them archived somewhere outside the cloud platform.

4. The annual adjustment falls in a migration year

If you migrate mid-VAT-year, the annual adjustment that runs at year-end will combine data from two systems — the first six months from Sage, the second six from Xero. Reconciling these is non-trivial. Most practitioners recommend migrating immediately after a VAT return, ideally right after the annual adjustment, to keep one full year in one system. But that's not always practical.

5. The MTD digital link breaks at exactly the wrong moment

MTD requires an unbroken digital link from source records to submitted return. During migration, the link breaks by definition — you're moving data between systems. HMRC accepts that migration is necessary; the question is whether the period before and after migration both maintain digital links internally. A migration done on a spreadsheet bridge isn't compliant. A migration done with proper API integrations is.

How OneSixth makes the migration safer

OneSixth doesn't migrate your data — that's what Movemybooks and similar tools are for. What OneSixth does is remove the reason most businesses delay migration: the specialist VAT calculation. Once the calculation lives outside the ledger entirely, the choice of ledger becomes a technology decision, not a tax decision.

What that means in practice

Ledger-agnostic calculation	OneSixth runs the same way against Xero, QuickBooks Online, Sage Business Cloud, or FreeAgent. The migration choice becomes 'which platform fits the rest of your business best', not 'which one happens to handle our VAT regime'.
Stock book continuity	Margin scheme stock books can be imported into OneSixth via spreadsheet (vehicle and general-goods importers shipped), preserving continuity through the ledger swap. On the roadmap: direct connectors for Sage 50 and QuickBooks Desktop stock-book exports.
Partial exemption history preserved	From the moment you onboard, year-by-year recovery percentages, working papers, adjustment journals and de minimis outcomes are archived in OneSixth with 6-year HMRC retention. On the roadmap: bulk import of pre-OneSixth historical PE workings for a single archive.
Mid-year migration support	For TOMS, prior-period import lets you bring current-financial-year actuals into OneSixth so a mid-year onboarding doesn't lose history. On the roadmap: equivalent bridging for partial exemption and margin schemes, plus a unified two-system working paper for migration-year annual adjustments.
MTD digital link maintained	OneSixth maintains the digital link from your live cloud ledger (Xero, QBO, Sage Business Cloud, FreeAgent) through to the submitted return — no spreadsheet bridge between calculation and ledger. On the roadmap: read-only connectors to legacy systems (Sage 50, QuickBooks Desktop) so the historical leg of a migration year stays inside a single audit trail.
Practitioner peace of mind	Accountants no longer have to choose between recommending the right cloud platform and accommodating the client's VAT regime. The two questions decouple.

For practices considering when to push their stranded clients off legacy platforms: the answer is 'now' once the specialist VAT layer is solved. OneSixth solves that layer.

Where each item above stands today — shipped, in progress, or planned — lives at onesixth.app/roadmap.

If you want to take a closer look

OneSixth is built by Option to VAT Ltd, a UK company focused on VAT specialist tooling for professional services firms and finance teams. We're currently working with a small number of early-access partners across accountancy practice and in-house finance, and we're actively looking for more.

Three ways to engage

Book a 20-minute call. The fastest way to see whether OneSixth fits your workflow. We'll walk through the calculation engine on a real Xero or QBO sandbox and you'll be able to see exactly how the audit trail looks.

Try the early-access programme. Connect a single client organisation, run one period's calculation, see the journal entries push back to your ledger. No commitment to scale up.

Stay on the changelog. If now isn't the right time, the public changelog at onesixth.app shows what we're building and when. Sign up to get product updates by email.

> **The shorter version of this guide:** the reason most specialist-VAT businesses are still on Sage 50 or QuickBooks Desktop isn't that they don't want cloud. It's that nobody's solved the full-stack problem. OneSixth solves the specialist VAT layer so the ledger choice becomes a technology decision, not a tax decision. Migrate when it's right for the business, not when the VAT calculation lets you.

Get in touch

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