How to Add Disbursements (All Iterations)

Adam Field - 2026-09-29 - Comments (0) - Accounting

Three Kinds of Disbursement, One VAT Question

Recording Office Payments, Anticipated Disbursements and Unpaid Disbursements with the correct VAT treatment

Link to Video Guide: https://youtu.be/D026NKlcMq8

Overview

This guide covers the "Select VAT Treatment" step that appears in Yao whenever you post a disbursement-related payment against a matter. The same three treatment options are offered whichever posting type you are creating, and this guide walks through each one as it is demonstrated for an Office Payment, an Anticipated Disbursement, and an Unpaid Disbursement.

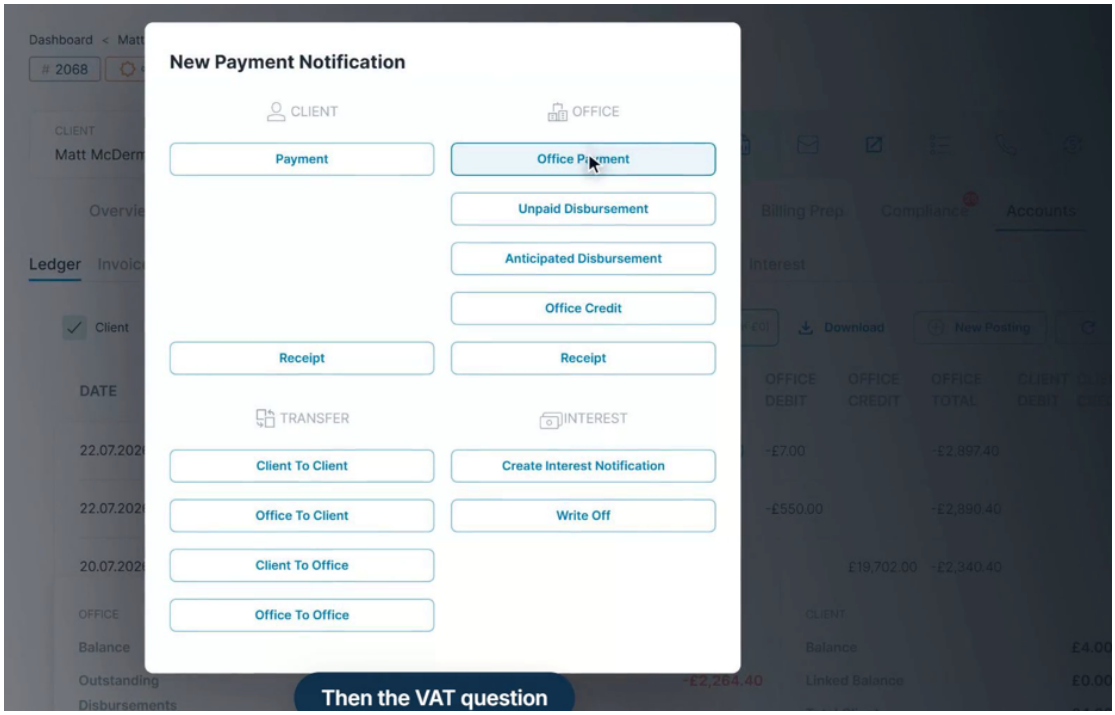
The three VAT treatment options are:

- **Recharge / Taxable Outlay:** The firm is providing advice on this item, or the supplier invoice is addressed to the firm.
- **Agency / Pass-Through:** The firm is acting solely as a payment agent and not providing advice or a service. Or, the supplier invoice is addressed directly to the client.
- **Unsure / Other (Wizard):** Answer a quick compliance check to suggest the likely tax treatment.

Starting a New Posting

1. From within a matter, open the **Accounts** tab.

2. In the toolbar above the tabs, click the payment notification icon (tooltip: "Create Payment Notification for Account"). This opens the **New Payment Notification** window.



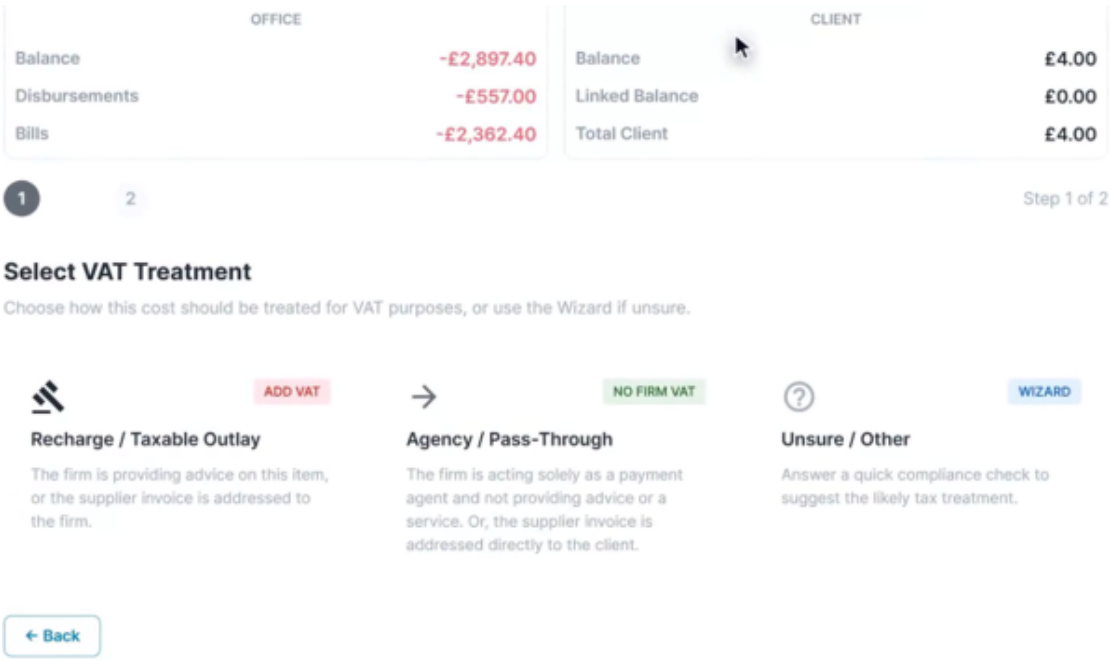
The New Payment Notification window, with the three disbursement-related posting types on the Office side.

3. Under the Office column, choose the posting type: **Office Payment**, **Unpaid Disbursement**, or **Anticipated Disbursement**.

Note: *The window also lists Payment, Office Credit, Receipt, and several Transfer and Interest posting types (Client To Client, Office To Client, Client To Office, Office To Office, Create Interest Notification, Write Off). These were visible but not demonstrated in the video, so they are not covered in this guide.*

Step 1 of 2: Select VAT Treatment

Whichever of the three posting types you chose, the first screen is the same: **Select VAT Treatment** — "Choose how this cost should be treated for VAT purposes, or use the Wizard if unsure."



The Select VAT Treatment screen, showing the Recharge / Taxable Outlay, Agency / Pass-Through, and Unsure / Other options.

The three options are described in detail below, using the example demonstrated in the video for each.

Option A: Recharge / Taxable Outlay

Demonstrated for: Office Payment and Unpaid Disbursement.

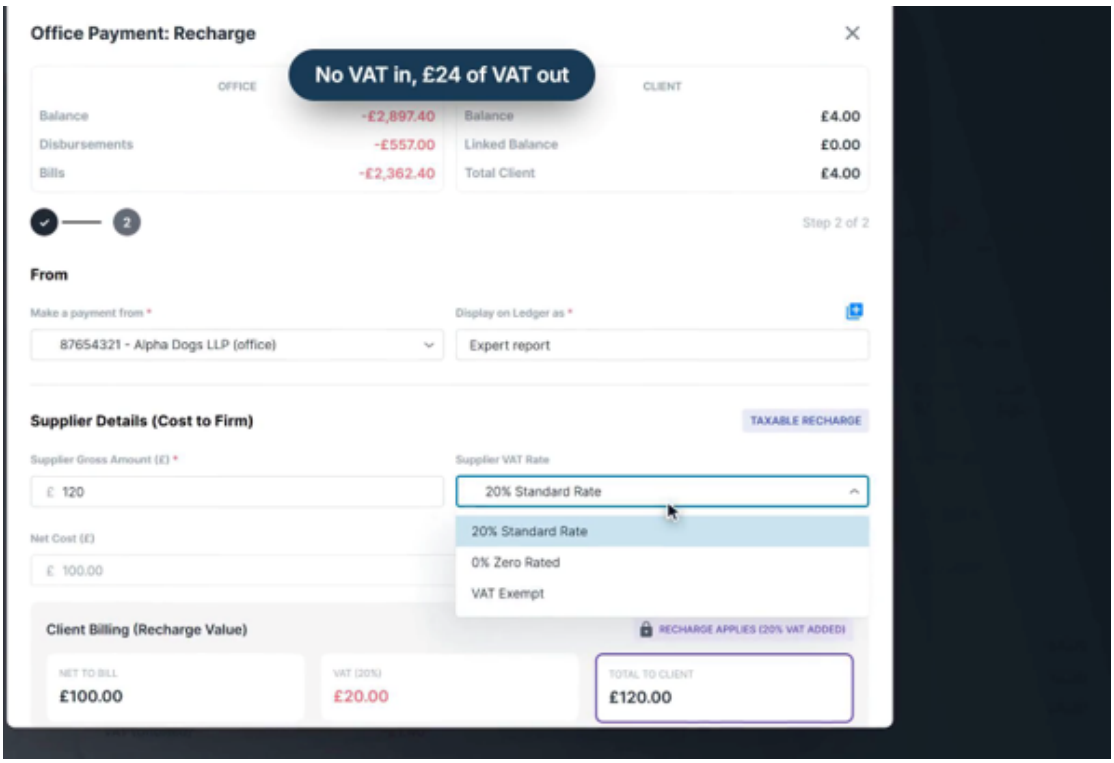
Selecting **Recharge / Taxable Outlay** updates the window heading (for example, "Office Payment: Recharge" or "Unpaid Disbursement: Recharge") and moves to Step 2 of 2.

From

- **Make a payment from:** a dropdown to select the office bank account (shown as "87654321 - Alpha Dogs LLP (office)").
- **Display on Ledger as:** free text describing the item on the ledger (shown as "Expert report").

Supplier Details (Cost to Firm) — badged "Taxable Recharge"

- **Supplier Gross Amount (£):** the amount the firm was charged by the supplier.
- **Supplier VAT Rate:** a dropdown with three options: 20% Standard Rate, 0% Zero Rated, and VAT Exempt.
- **Net Cost (£):** calculated automatically from the Supplier Gross Amount and Supplier VAT Rate.



Office Payment: Recharge, showing the Supplier VAT Rate dropdown and the resulting Client Billing figures.

Client Billing (Recharge Value)

This section recalculates automatically from the Supplier Gross Amount and updates its badge to show whether VAT has been added:

- **Net to Bill, VAT, Total to Client:** in the example shown, a Supplier Gross Amount of £120.00 at 20% Standard Rate produced a Net to Bill of £100.00, VAT of £20.00, and a Total to Client of £120.00, with the section badged "Recharge Applies (20% VAT added)".

Note: *Choosing 0% Zero Rated or VAT Exempt as the Supplier VAT Rate changes the badge to "Recharge Applies (0% VAT added)" and the VAT figure to £0.00 — this behaviour was shown in the video but the exact recharge figures for those two rates were not.*

For an Unpaid Disbursement using Recharge / Taxable Outlay, the same Supplier Details and Client Billing fields appear (in the video, a Supplier Gross Amount of £600.00 at 20% Standard Rate produced a Net to Bill of £500.00, VAT of £100.00, and a Total to Client of £600.00). In place of a payee, this flow instead asks for the supplier:

- **Supplier:** search or select an existing supplier.
- **Supplier Invoice Number:** optional.
- **Due Date:** optional — described as "When the supplier expects payment. Sent to Xero."

For an Office Payment, the "To" section instead asks for the payee's bank details:

- **Full name, Account number, Sort code, Payee Reference:** the recipient of the payment.

Additional Details and posting

Both flows then show the same Additional Details section and finish the same way:

- **Transaction Date:** defaults to today's date.
- **Payment Method:** a dropdown (left unselected in the video).
- **Transaction Reference and Notes:** free text.
- **Skip Xero synchronization (use at your own risk):** a checkbox.
- **Correspondence:** an option to upload from correspondences.

The window is completed with the **Post Office Payment** or **Post Unpaid Disbursement** button (labelled to

match the posting type). The video captions describe this as: Post → accounts approve → ledger.

Note: *The video does not show what appears after posting an Office Payment via Recharge (no confirmation screen or resulting ledger entry is shown for this specific flow).*

Option B: Agency / Pass-Through

Demonstrated for: Anticipated Disbursement.

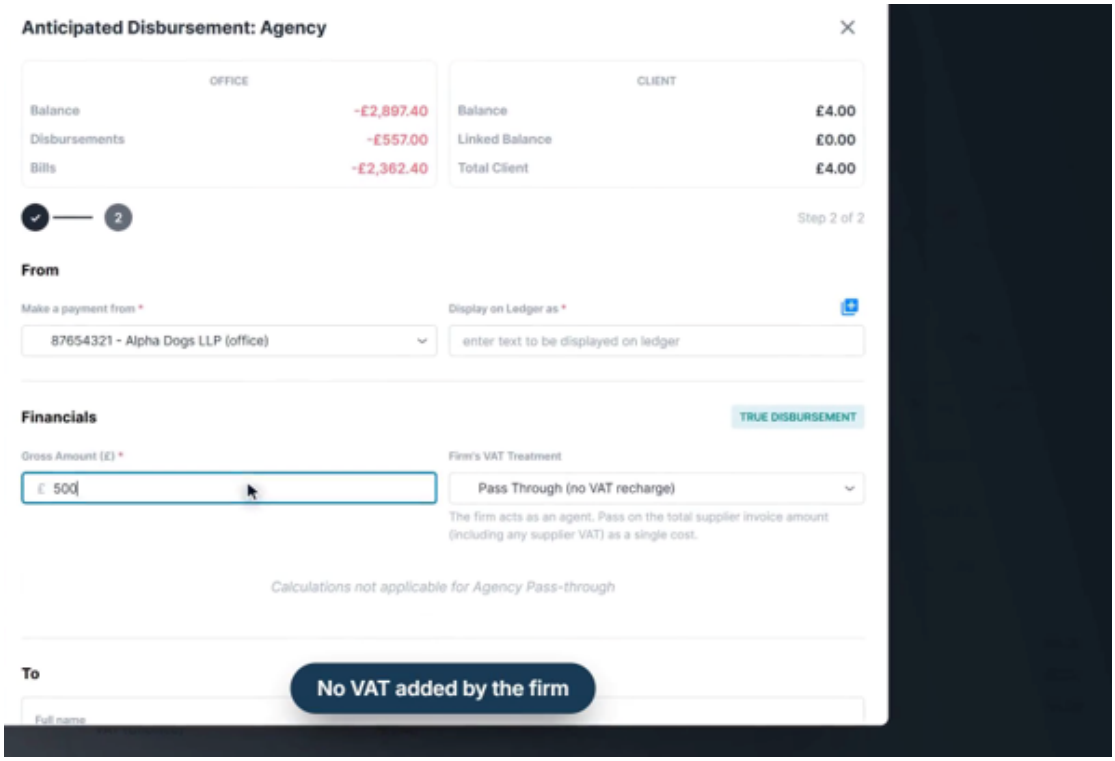
Selecting **Agency / Pass-Through** updates the window heading (shown as "Anticipated Disbursement: Agency"), shows a "True Disbursement" badge next to the Financials heading, and moves to Step 2 of 2.

From

- **Make a payment from:** the office bank account.
- **Display on Ledger as:** free text (left blank in the video).

Financials — badged "True Disbursement"

- **Gross Amount (£):** entered as £500 in the video.
- **Firm's VAT Treatment:** shown set to "Pass Through (no VAT recharge)", with the helper text: "The firm acts as an agent. Pass on the total supplier invoice amount (including any supplier VAT) as a single cost."



Anticipated Disbursement: Agency, showing the Financials section with Pass Through (no VAT recharge) selected.

Note: *A message under the Firm's VAT Treatment field states "Calculations not applicable for Agency Pass-through" — no Net to Bill / VAT / Total to Client breakdown is calculated for this treatment.*

The video then shows the beginning of a "To" section (a Full name field) but ends before this section, the Additional Details, or the posting button are completed, so these are not covered here.

Option C: Unsure / Other (Wizard)

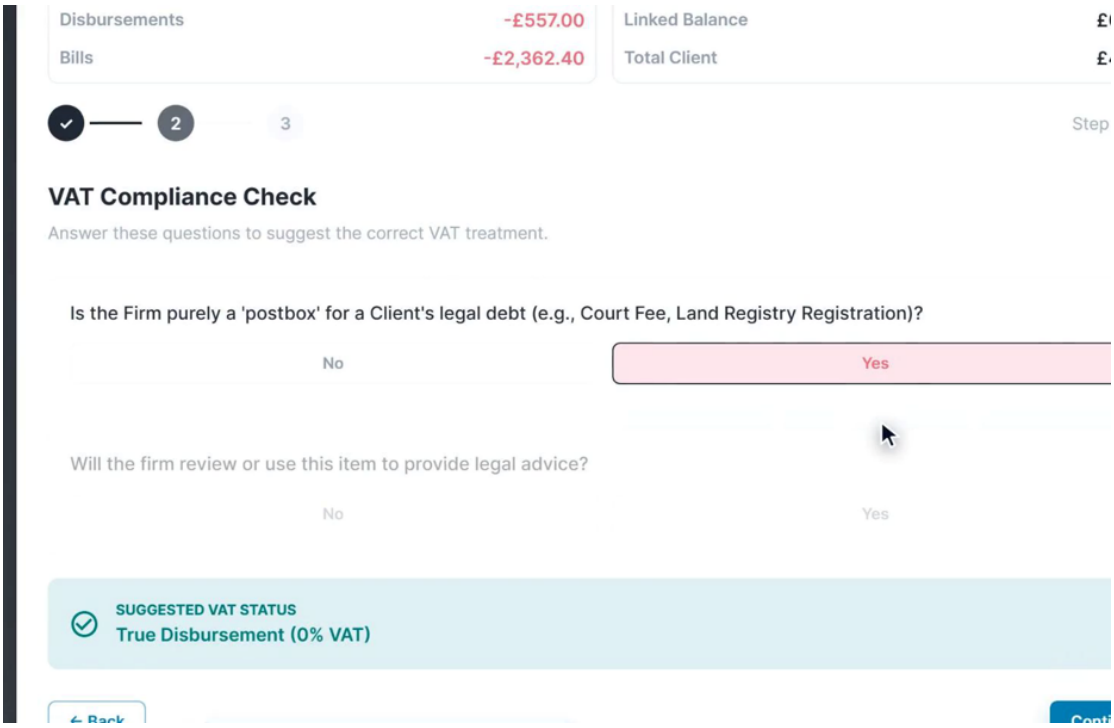
Demonstrated for: Office Payment.

Selecting **Unsure / Other** moves to a VAT Compliance Check screen (step 2 of a 3-step wizard): "Answer these questions to suggest the correct VAT treatment." Two Yes/No questions are asked:

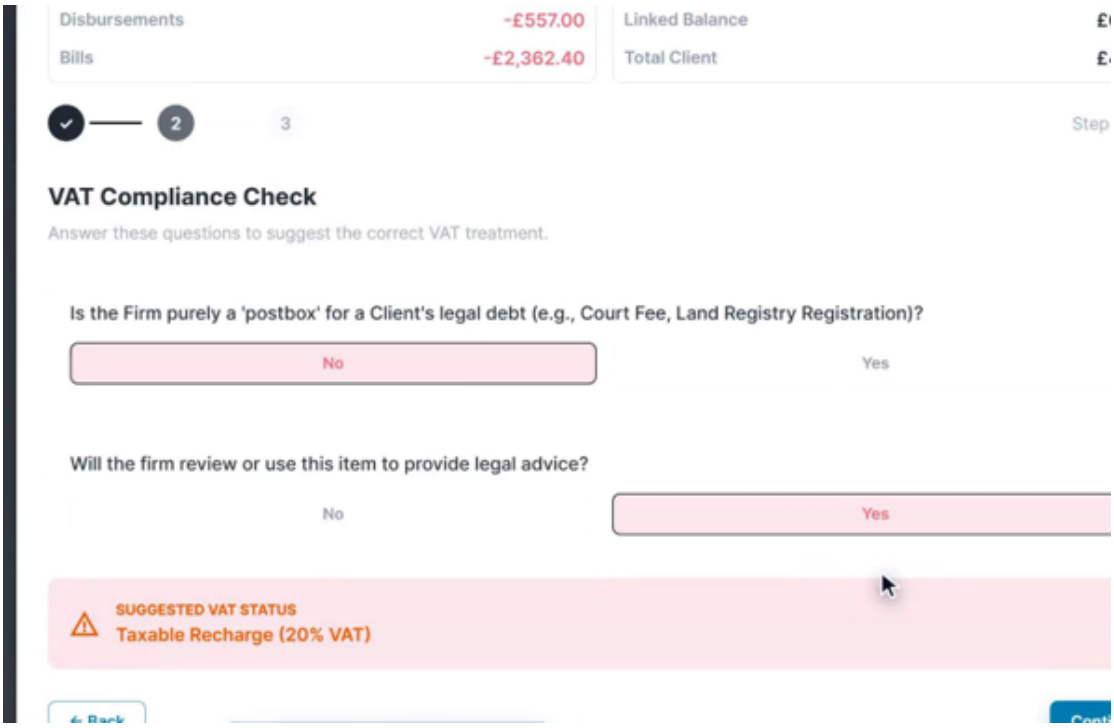
1. Is the Firm purely a 'postbox' for a Client's legal debt (e.g., Court Fee, Land Registry Registration)?

2. Will the firm review or use this item to provide legal advice?

The video demonstrates two answer combinations, each producing a different Suggested VAT Status:



Question 1 answered Yes: Suggested VAT Status — True Disbursement (0% VAT).



Question 1 answered No, question 2 answered Yes: Suggested VAT Status — Taxable Recharge (20% VAT).

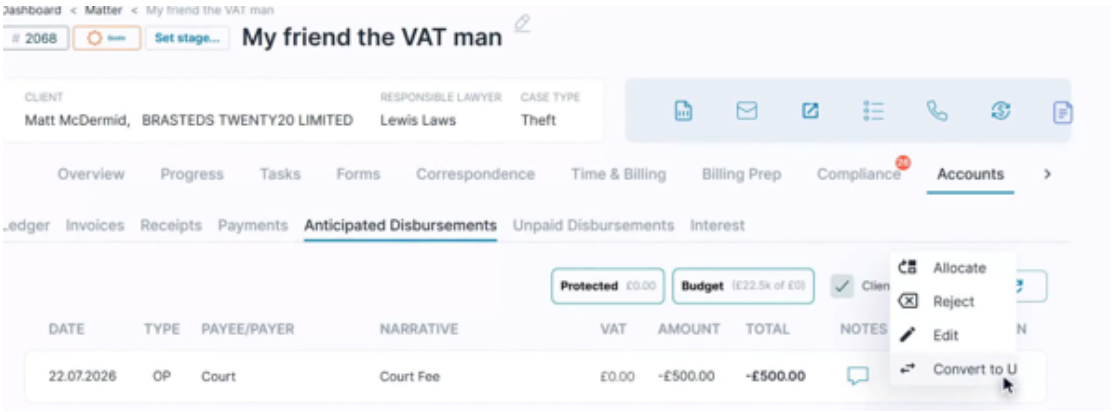
- **Question 1 = Yes:** Suggested VAT Status: True Disbursement (0% VAT) (question 2 is not required in this case).
- **Question 1 = No, Question 2 = Yes:** Suggested VAT Status: Taxable Recharge (20% VAT).

Note: *The video does not show the outcome for Question 1 = No, Question 2 = No, nor does it show step 3 of*

the wizard or what happens after clicking Continue.

Managing Anticipated Disbursements

Once an Anticipated Disbursement has been posted, it appears on the matter's **Accounts** › **Anticipated Disbursements** tab, listing its Date, Type, Payee/Payer, Narrative, VAT, Amount, Total, and Notes.



The Anticipated Disbursements tab, showing the action menu for a posted entry.

Clicking the action menu (⋮) on an entry in this list shows four options:

- **Allocate:** visible in the menu, not demonstrated further.
- **Reject:** visible in the menu, not demonstrated further.
- **Edit:** visible in the menu, not demonstrated further.
- **Convert to Unpaid:** visible in the menu, not demonstrated further.