



Xero Partner: GST

Partner: Michael Turner
Polson Higgs

A New GST 'Fraction'

- No longer divide by 9
- New tax fraction is $3/23$ (or 7.666666666!)
 - For example, $\$115 \times 3/23 = \15
 - Exclusive price $\times 1.15 =$ new inclusive price, $\$100 \times 1.15 = \115

GST Threats (and Opportunities)

- Registration issues
- Pricing
- Contractual
- Transition
- Systems and Processes



Pricing

- What's your pricing strategy?
 - Absorb or pass on
 - Increase price beyond GST rate hike
- Have you updated all of your marketing, selling and website collateral?



Contractual

- Section 78
- Unless express provision that price cannot change with GST rate
- Contracts plus GST, inclusive of GST, silent?



The Transition

- Definition of 'Time of Supply':
 - The earlier of invoice being issued or **any** payment
- Until 11/10, 12.5% on invoices dated 30/9 for supplies pre 01/10, but must be due within 60 days
- If 'reasonable effort' to comply has been made, any errors resulting in payment, filing or interest penalties may be remitted by Inland Revenue



Tricky Issues

- Invoices for supplies over a period of time which spans 30/09
- Exceptions –
 - Finance Leases (12.5% applies up to 5 years)
 - Insurance
 - Periodic supplies
 - Layby
- Deposits pre 30/09 for goods or services after 30/09
- Check invoices around 30/09 for correct GST based on “time of supply”

The GST Adjustment


- For business to business, you won't 'lose out' with the GST change
- Payments basis will get an adjustment (GST 105) based on creditors and debtors at 30 September
- Special return required if GST period straddles 1 October

GST Return Provisional Tax Return GST Audit Report **Adjustments**

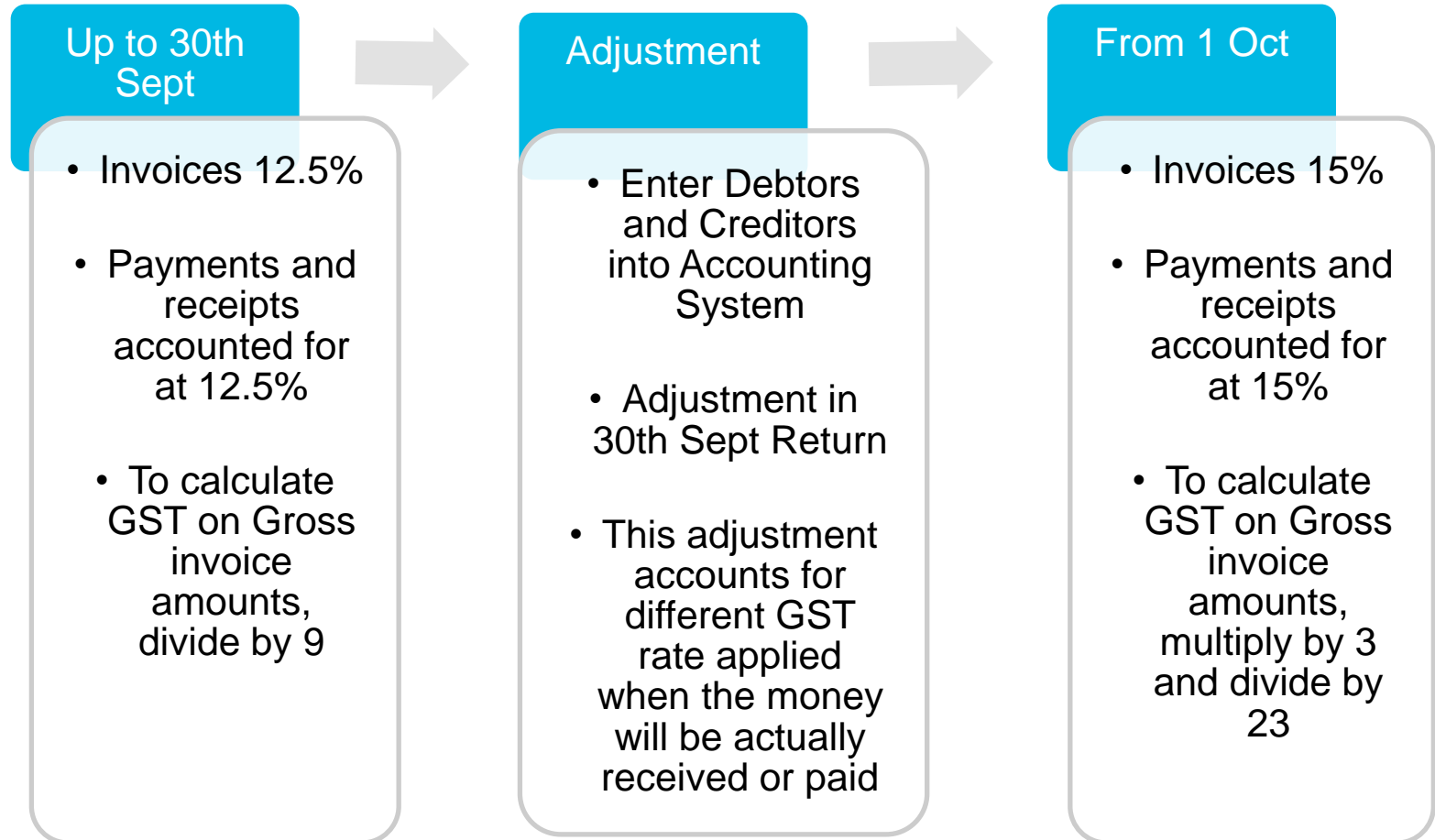
GST Adjustment Report
NZ Demo
For the period 1 September 2010 to 30 September 2010

[+ Add Summary](#)

Invoice Number	Reference	Balance	GST
GST Rate Change Adjustments			
Receivables			
Contact 1			
INV-001	Raindrops	1,237.00	137.44
INV-002	Roses	58.10	6.46
INV-003	Whiskers	1,200.55	133.39
INV-004	Kittens	50,000.00	5555.56
Contact ABC			
INV-005	Chainsaws	999.99	111.11
INV-006	Redbrick	25.80	2.87
Total Receivables		53,521.44	5,946.83
Payables			
Contact 2			
	Favourite	1,500.00	166.67
	Things	72.08	8.01
Total Payables		1,572.08	174.68
Unpaid Expense Claims			
Charles Brown			
	Favourite	100.00	12.50
Total Unpaid Expense Claims		100.00	12.50
Total Adjustments			
GST Rate Change Adjustment			1001.92
Adjustment to Pay			1001.92

 **Filing your return is necessary to calculate your next return.** [More details](#) [File Now](#)

GST on Payments Basis



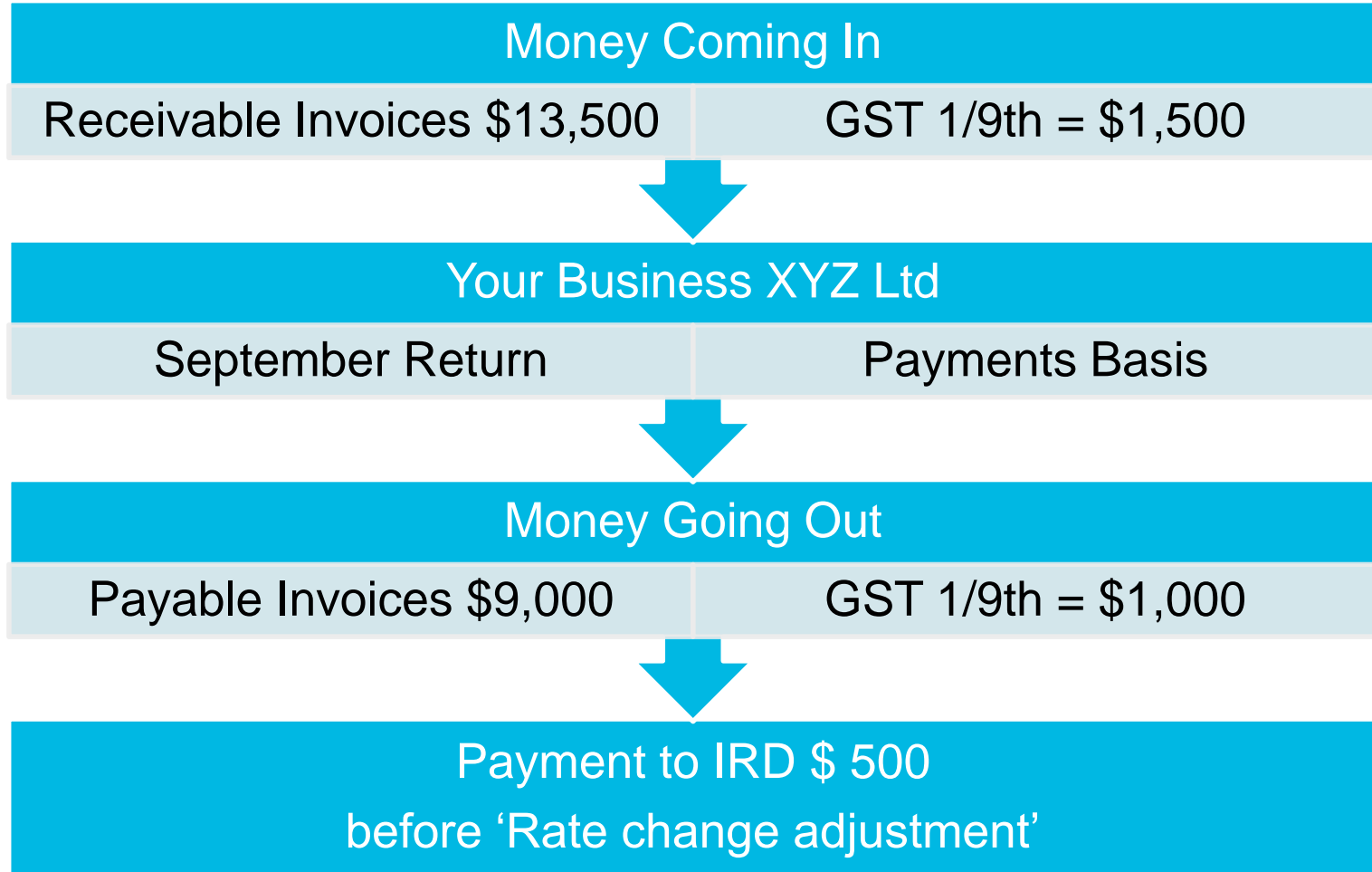
Practical Example – Rate Change Adjustment

- 30th Sept, 2010
- \$13,500 owing to you (Debtors = \$12,000 + \$1,500 GST)
- You owe \$9,000 (Creditors = \$8,000 + \$1,000 GST)
- **Payments Basis** – Sept return adjustment
(Creditors – Debtors) / 51.75 = Extra to pay to IRD
- Creditors 9,000
- Debtors 13,500
- Difference (4,500) divide by 51.75 = (\$86.96)

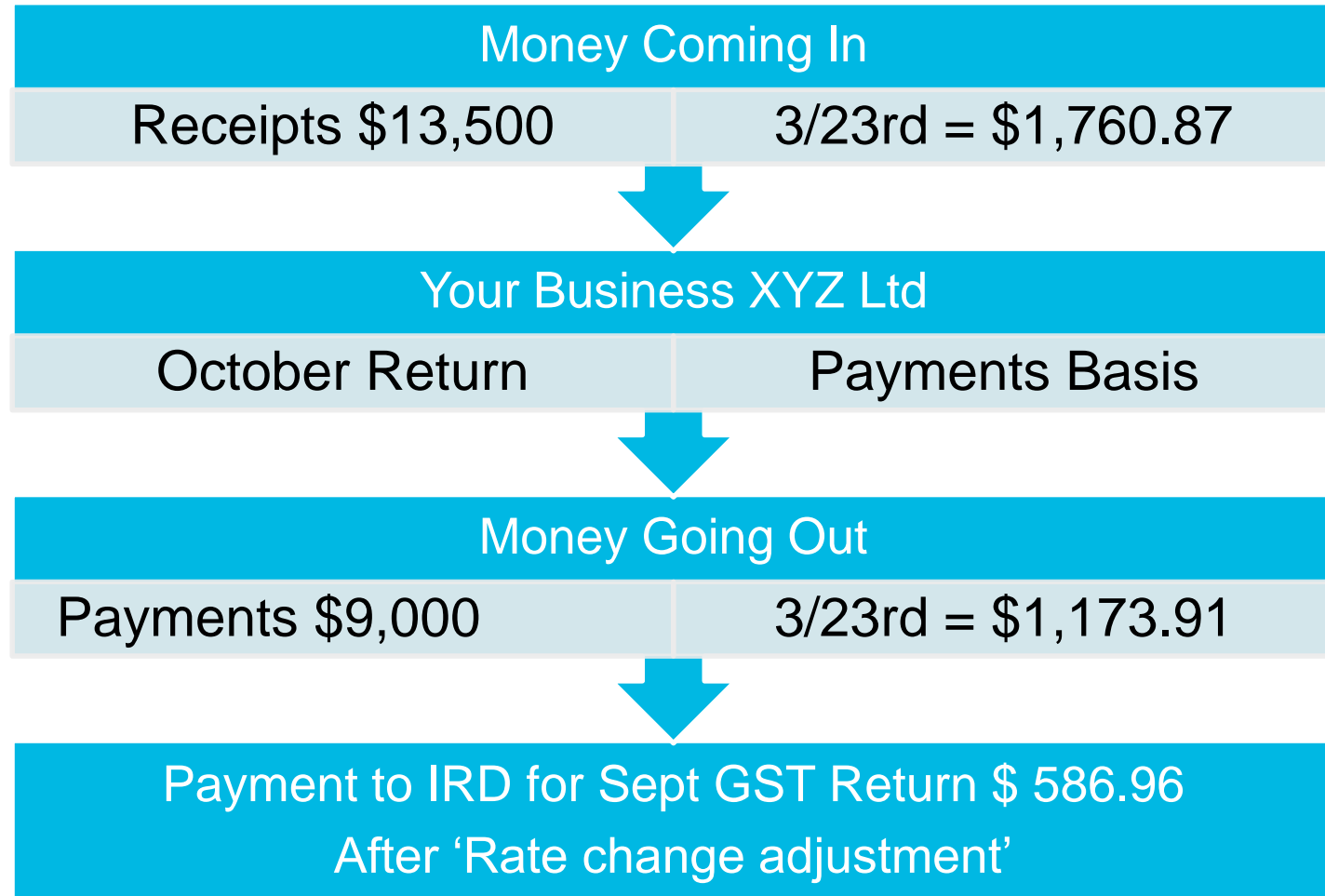
*Extra to **claim** from IRD*



As at 30th Sept – Payments Basis GST



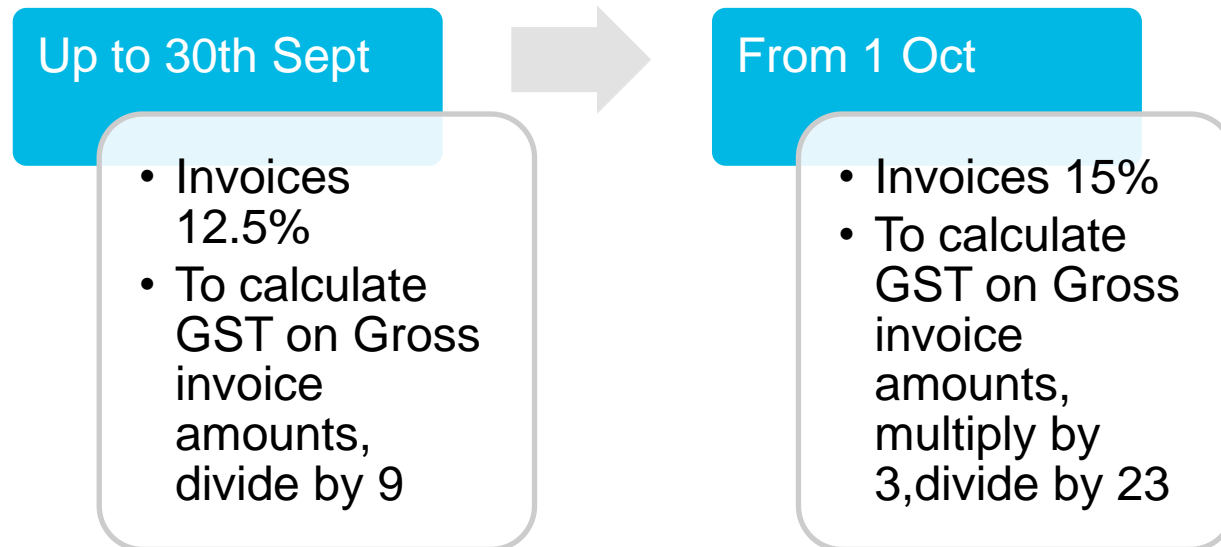
Payments received from 1st October now 15%



GST on Invoice Basis

Ensure all pre 1 October transactions are entered with dates up to 30 September, so that GST is calculated at 12.5%

No Adjustment is needed



Systems and Processes

- Have you thought of:
 - Issuing tax invoices, debit/credit notes at old / new rates
 - Checking tax invoices received
 - Bad debts
 - Software – accounting, job management
 - POS and till system updates
 - Review any internal spreadsheets and templates
 - Test software and templates for new rate
 - Train your staff
- Time for a health check of your GST systems?



Checklist

- Who's your GST change champion in the business?
- Where are the risks?
 - Cashflow/profitability
 - IRD penalties (your GST bill just got 20% bigger!)
 - Input into accounting system
 - Educating your customers/suppliers
 - Staff education
 - Legislative exceptions, such as:
 - Layby, finance leases, periodic contracts
 - Be aware of regular transactions, e.g. monthly insurance, phone, council rates, all at 15% from 1 October
 - Accounting software, is it ready?