

Special GST Alert

It's here – GST is now charged at the rate of 15%.

This special news flash serves to remind you of some very important adjustments and facts which will affect most of our clients this October and in months to come.

Remember that we are here to help, so ask for that help early. For those of you who have last minute questions about your accounting systems and the GST rate increase, if you usually prepare your own GST returns and want us to complete your next GST return, or even if you simply want us to complete the GST rate adjustment (for those of you on the payments or cash basis), we can do all of the above. Having said all that, please do not leave your needs until the 28th of October. Call and make a time to see us now. That way we'll be prepared and you'll get the time and attention you deserve.

GST Rate Adjustment for Payments (Cash) GST Returns

As we've stated in earlier communications, all clients on a payments (cash) basis need to make a special one-off GST rate adjustment in the return that ends on 30 September 2010, due to IRD on 28 October.

Here's how the GST rate adjustment works:

You (or we) will need to complete a special GST rate change adjustment in your 30 September 2010 return, applied to the difference between your Accounts Payable (what you owe to business suppliers) and your Accounts Receivable (what's owing to you by customers). Please make sure you include any unrepresented cheques in your Accounts Payable calculation, and any unbanked cash (likely to be relevant for retailers) in your Accounts Receivable calculation.

To assist you, we recently sent you two simple worksheets for you to complete. If you can't locate those, please let us know and we'll email or mail you fresh ones.

If you complete your own GST returns, you need to make your rate change adjustment in your 30 September 2010 GST return as follows:

30 September 2010 GST Rate Change Adjustment

Total Accounts Payable from Box A of the Worksheet	Box A	
Total Accounts Receivable from Box B of the Worksheet	Box B	
Subtract Box B from Box A	Box C	
Divide Box C (the difference) by 51.75. This is your rate change adjustment.		
<p>If the amount in Box A is greater than the amount in Box B, include your adjustment in Box 9A of your GST return. GST is payable.</p> <p>If the amount in Box B is greater than the amount in Box A, include your adjustment in Box 13A of your GST return. A GST credit is available.</p> <p>Please keep a copy of your GST Rate Change Adjustment and forward along with your Accounts Payable and Accounts Receivable worksheets to us as soon as they are completed. We will need these calculations for your 2011 Financial Statements.</p>		

GST Transitional Return where your GST return spans 1 October 2010

Where you complete a two-monthly GST return with a period ending 31 October, or a six-monthly return with a period ending 31 October, 30 November, 31 December, or even 31 January 2011 or 29 February 2011, you or we will need to complete a special GST Transitional Return (GST 104A). This will be a complex GST return. Please don't hesitate to contact us if you would like us to check the return, or complete it for you.

Not only will the return include the above GST rate adjustment if you are on a payments basis, but the return will also be split into two parts, one for recording sales and expenses at the old rate of 12.5%, the other for sales and expenses at the new rate of 15%. It's complicated!

Do you need to update your Multi-Supply Tax Invoices?

It is well established that where you provide continuous supplies, only one GST Tax Invoice needs to be issued (often called a Multi-supply Tax Invoice) and that one invoice can be relied upon for each monthly payment.

For example, you may be a landlord who lets commercial premises, or perhaps you lease out equipment on a defined term, such as water coolers for 12 months.

Strictly speaking, with the increase in GST you should issue a debit note for the additional GST payable each month beginning on or after 1 October 2010.

Having said that, the Government understands that that's unnecessarily complex and has therefore agreed that it is acceptable and much more practical to simply issue a new invoice to recognise the increase in the payment due to the GST rate increase.

If you want us to quickly review your invoice template to make sure it complies, just let us know!