

Newsletter - August 2010



With much media talk of a double dip recession, and the prospect of the country experiencing higher unemployment, it is sometimes easy to become very pessimistic about the business outlook, especially with the prospect of an increase in GST and the added administrative burden that will be imposed on businesses to cater for the change. So that all our users are comfortable with the changes that will be required, this newsletter will deal primarily with the implementation of the change in GST rate from 12.5% to 15%, though I do promise that my next newsletter will have a much lighter tone!

After many hours reviewing system requirements and testing procedures for the change over I believe that users on the Invoice basis for GST should not have too many problems with the change over. Implementation considerations are outlined on the following page. The Cash Payments basis is somewhat more involved in terms of the reporting requirements, but the Sage system will maintain the GST liabilities correctly. If you are on a Cash Payments basis, please contact me now as we will provide additional documentation as to how to best handle your GST reporting requirements.

Remember, some manual reporting may be required, so you may wish to ensure staff have adequate time to prepare these returns. In addition, if you think that this task may be too difficult, please ask your accountant or us for assistance well before the day the Return is due. IRD has indicated that there will not be exemptions for late returns, although (honest) errors picked up at a later date will not be penalised.

Considerations when changing the GST Rate

There are a number of considerations when changing the GST rate in your Sage 50 accounting software.

The first is timing. With your T1 rate set to 12.5%, you want to key all of your sales for September before you change the rate to 15%. IRD has said that sales invoices relating to September may be processed up until 11 October 2010. After that date, all invoices issued must have the new 15% GST rate.

Try and process all your September transactions (debtors and creditors) before you change the GST rate. This will simplify your reporting requirements. This will mean that you will have no adjustment figure in the GST Return. This will only be possible for users that don't have large volumes of transactions, as it means you need to get all your supplier invoices keyed before you key any sales invoices for October. If you cannot do this, your September return will use both T1 and T3 transactions, both at 12.5%.

Outstanding Orders and Invoices must have the GST rate updated. Any orders or invoices entered in September but not shipped until October will need to use the new GST rate. This can be done by editing each invoice, selecting each item line, and clicking on the GST dropdown, and reselecting the GST code T1. This will then update the item with the new GST code. To change the GST rates automatically, use the Adept GST Converter program.

Recurring entries must be modified to reflect the new GST Rate. Any recurring entries held within Sage must either be deleted and re-entered, or you must use the Adept GST Converter program to automatically convert the GST rate.

Cash Accounting Basis. Remember that you can only allocate transactions with the same tax code. Please contact us in September to clarify your requirements.

Distribution Changes?

Last week I was told that Passage Software would no longer be a Sage distributor from January next year. This may well result in changes to their reseller network and the support that is offered to end users. It also may be the reason that they are actively contacting all Sage users linked to Bean Counters Ltd, despite being requested not to do this by both the users and Sage Pastel International. We anticipate that offers will be made to end users while they still have distributor margins - if you receive an offer of this nature and are interested in the product offered, please let me know, as I am sure that we and Adept Distribution will make every effort to match their offer.

Do you deduct PAYE?

Don't forget to get your new tax tables from the IRD website for salary and wage earners paid from October 1. The department will not be posting them to you. All income tax rates will change.

How do you ensure that you will have the software to cater for the GST change?

I have been very happy with the level of support that we have received from Adept Distribution since we changed distributor nearly 2 years ago, and we have received plenty of support to ensure that the changes to the GST rate will be implemented with as little impact on our software users as possible.

As part of the development work that Adept Distribution has undertaken for the Australian and NZ markets they have provided the Adept Tax module and the New Zealand Depreciation module. Both these modules come free to the client with any upgrade or new purchase supplied through us. They have been tested by Chartered Accountants and end users to ensure they comply with regulations. One of the unique things introduced is that once the program is purchased the end user will receive all version upgrades free of charge. This also applies to all the other Sage 50 Additions available. Most of the programs work with Sage 50 from version 8 to version 16 (2010) and are currently being upgraded to work with v17 (2011). Currently some 25% of the approximately 40 Additions programs have already been converted to handle v17 (2011).

Adept's GST Tax program is much faster than the GST Wizard, and calculates the GST correctly. I was forced to notify Passage Software three times that the Wizard did not work properly when first released, and recommended that clients use the VAT Return prior to having the Adept Tax program available.

How will the software handle the change in GST rates?

The current Adept Tax module has two forms included to prepare your GST101 for the IRD:

- Invoice basis
- Payment basis form

The automatic updater will incorporate two additional forms that will apply from October 1st 2010 so that GST can be calculated correctly over the changeover period and into the future.

Running the GST with the Adept Tax module is simple: click a button in Financials or in the Sage Additions Tab and then click Calculate. It's that easy – no complicated Wizards and no guessing. Once the initial GST101 has been marked as submitted all the date parameters are preset for subsequent periods.

Version Information

Sage 50 v15/2010 and above, upgrade supplied through Bean Counters Ltd

If you have the Adept GST Tax program installed, and you have an internet connection, it will upgrade automatically. There is no additional charge. Unlike with Passage Software, you do not need a Help Desk contract. All you need to do is change the GST rates as detailed above, and cater for any recurring entries, or outstanding orders and invoices (see next page).

Sage 50 v13/2007

The Passage GST Wizard will not calculate GST correctly for all returns after the September period. The VAT Return within Financials will work, and you can use this and manually adjust figures, or you could consider buying the Adept GST Tax program or upgrading (see next page).

Sage Line 50 v11 and earlier

The GST Return will calculate the September GST Return correctly (using T1 and T3 rates at 12.5%), however, the following return (October-November) where there could be multiple GST Rates, will not calculate correctly. Once no more 12.5% transactions are occurring, the existing return will work on the 15% rate. It is only the transitional returns that could be a problem. It is possible to run other reports to manually identify totals and then transfer them to your GST Return. You could also consider buying the Adept GST Tax program or upgrading (see next page).



Changing the GST Rate within your Sage 50 software

ALL VERSIONS - Sage (Line) 50 v10 to v16/2010 (Invoice Basis Only)

1. Log on to Sage as Manager or as another user with full access rights.
2. Go to menu bar and select Settings, Configuration and then select the Tax Codes tab
3. Highlight the T1 tax code and click on the Edit button. Change the rate from 12.5% to 15.0% and click on the [OK] button.
4. Highlight the T3 tax code and click on the Edit button. Change the rate from 0% to 12.5%. Make sure that there is a tick in the "Include in GST Return box", change the description to "GST prior to 01/10/10" and click on the [OK] button to save your changes.

How can you obtain the Adept Tax module if you do not already have it?

1. Purchase the Adept Tax module outright - investment of \$500 + GST,

or;

2. Sign a Change of Distributor form to align with Adept Distribution Ltd - investment of just \$250 + GST for Adept Tax,

or;

3. Sign a Change of Distributor form to align with Adept Distribution Ltd and purchase an upgrade to v16 (2010) - investment of \$1,375 + GST.

You will receive:

1. Software upgrade to Sage 50 v16/2010
2. Adept Tax module
<http://www.adeptcom.co.uk/files/Line50tx-v16-1-34.exe>
3. NZ Depreciation module
<http://www.adeptcom.co.uk/files/Line50dz-v16-0-4.exe>
4. Viewer Mid program
<http://www.adeptcom.co.uk/files/acsvp-v16-5-15.exe>
5. GST Converter program.

This program will update the tax rate in bulk for all your:

- i. Invoices,
- ii. Sales Orders,
- iii. Purchase Orders
- iv. Recurring items

Free 30 day trial versions of each of the above linked programs are available on application so that you may test them.

If you are concerned about what is required to meet the requirements for the GST change please don't hesitate to contact me to discuss your options. IRD is still releasing more information and we will pass this on as it comes to hand.

Also, another reminder to all those using the cash payments basis for GST to contact us in September for more information regarding the changes.

Suggestions

Please let me know if you would like a particular topic covered in our newsletter, or if you have any other suggestions that may make it better and more relevant for you.

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Best regards,
Shane Durrant

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August 28 2010

1st instalment 2011
Provisional Tax (March
balance date)
GST for July 2010

October 1 2010

GST and other tax changes

October 28 2010

1st instalment 2011
Provisional Tax (March
balance date) for those who
pay GST 6 monthly

Kiwisaver to be 10%

The government is extending the contribution rates allowed to Kiwisaver. Currently the rates are 2%, 4% and 8%. New rates of 6% and 10% are to be added. This is good news for those nearing retirement who may be keen to use the 10% rate.