Newsletter - September 2010

I had intended to not discuss GST at all in this newsletter (:-)), but due to popular(!) demand and the sounds of rising panic, the sole topic of this newsletter will be the change in the GST rate. At times I have thought of the Sky Television advertisement where the characters go to their "happy place" and I have some recent memories of a rafting trip down the Motu and kayaking at Nelson Lakes to remember before sitting back down at the computer to correct and re-correct the wording of our information. I have included a set of PDF files relating to the GST change at the following link:

http://www.beancounters.co.nz/GSTChanges/GSTRateChangesPDFs.zip

Have a read of these documents, especially the two IRD documents, and despite all the relevant information that is contained in these documents, you may well be looking to retreat to your "happy place"!

We have also seen a week of more email misinformation from Auckland and South Africa, so it seems prudent to reassure everyone that the requirements for the change are under control. I have spent many hours testing the Adept GST Tax program with both Invoice Basis and Payments Basis GST and am very pleased with the software. It certainly will make the preparation of your GST Return much easier than if you try to do it all manually. More information from Adept can be found here: http://www.adeptcom.co.uk/nzgstchange.htm

If you don't have the Adept Tax program, it can be purchased at a cost of $250+GST. The Adept GST Tax program will work for all Sage versions from v8 to v17. Unlike Passage Software, we can sell and support Sage 50 v17/2011. This is sourced through Usage/Adept Distribution. All Adept Add-On programs are available for this, the latest version from SageUK.

Earlier versions of Sage (v13/2007 and earlier) may require some manual changing of tax rates for outstanding orders, invoices and recurring entries, but the GST Return will not be a major issue if you follow the detailed instructions within this newsletter. We have done extensive testing of the software and think that we have covered all the different transaction combinations that may be encountered.

For people not using the Adept GST Tax program

Invoice Basis GST

The existing GST Return will cater for the use of tax code T3 for old 12.5% GST - it will combine the T1 and T3 transactions and divide the gross amount by 9 to give you the GST due. The next return, where there may be transactions with both 15% and 12.5% GST rates you must manually identify the old rate transactions and include them in the adjustments box in the return.

Cash Payments Basis GST

If you have very few transactions that relate to the earlier period, you can account for them manually using T3 at 12.5%. This will not be too difficult to do, however, if you have many transactions I would recommend using the Adept GST Tax program. Remember that there are limitations with allocating transactions with different tax codes.

NZ Standard Sage Tax Codes (v13 onwards)

Tax Codes up to the 30th September 2010		Tax Codes from 1st October 2010	
T0	Zero rated (ie exports)	T0	Zero rated (ie exports)
T1	Normal 12.5% GST	T1	Normal 15.0% GST
T9	Exempt (ie bank fees, interest, transfers)	T3	Old (12.5%) GST
T99	GST paid directly to NZ Customs	T9	Exempt (ie bank fees, interest, transfers)
		T99	GST paid directly to NZ Customs

GST Assistance

Please let me know if you would like on-site assistance with the GST rate change. Appointments are on a first-in first-served basis, however we will have three people available to provide support if necessary.

Our contact details are: Bean Counters Ltd
 P O Box 13-605
 Wellington
 Ph. 04 477 4411

Best regards,
Shane Durrant

GST Rate Change - Invoice Basis Only

(or Bean Counters' step-by-step guide for non-accountants of How to Survive the GST change)

The following should be done prior to 1st October 2010 (or prior to processing any October transactions).

1. Complete all despatches for Sales Orders.
2. Create and post all Sales Invoices.
3. Post all recurring entries due on or before 30th September 2010.
4. Post all bank entries to 30th September 2010.
5. Enter all goods received for Purchase Orders.
6. Write off any bad debts that you are aware of, along with any supplier invoices you will never pay.
7. Post all September supplier invoices.
8. Refer to attached portion of IRD's rules for "Late claim of GST" and "Credit and Debit Notes".
9. Do not process any October transactions (yet).

The following should be done on 1st October 2010 (or when you want to start processing October transactions).

1. Tell all users to log out of Sage until they are advised that it is ok to log back in.
2. Check and then Backup your data.
3. Add the T3 tax code as follows: In Sage, go to Settings, Configuration, and select Tax Code tab. Highlight the T3 tax code and click on the Edit button. Change the rate from 0% to 12.5% and change the description to "Old 12.5% GST" and click on the [OK] button to save your changes. Do NOT edit the T1 code at this stage.
4. If you are on v13/2007 or above, install and run the appropriate Sage 50 Accounts VAT (GST) Utility - this will automatically update the T1 code to 15%. If you are on v11 or below, you must change the GST rates manually and go to step 6 (that's scarey, it almost sounds like an IRD form!)

What does the utility do?
This utility simplifies the changes required following the increase in the standard rate of GST. It helps you to update the GST values on the following:
- Invoices and credit notes.
- Sales orders and purchase orders.
- Quotes and proformas.
- Memorised and recurring invoices, credits and orders.*
- Bank recurring entries.*
* Not available for Sage 50 Accounts v13/2007. You should update these manually.

Installation Notes
This utility was written by Sage UK so there are references to VAT which should be thought of as GST. Before installing and running this utility, you must take at least one backup of your data. If you have already amended the GST rate for your standard rated tax code, you must change this back to 12.5% before continuing.
a) Download the appropriate utility for your Sage version.
    Sage v13/2007 http://www.adeptcom.co.uk/updates/v13/accounts2007_vatratechange.exe
    Sage v15/2009 http://www.adeptcom.co.uk/updates/v15/accounts2009_vatratechange.exe
    Sage v16/2010 http://www.adeptcom.co.uk/updates/v16/accounts2010_vatratechange.exe
b) Close Sage Accounts.
c) Locate and double-click the file that you have just downloaded.
d) On the Sage Software Update window, ensure the directory is your Sage 50 Accounts program directory, then click Yes. If the directory is incorrect, click No, browse to your Sage 50 Accounts program directory then click OK.
e) When the "program successfully updated" message appears, click OK. The Sage 50 Accounts VAT Change Wizard will appear.
f) To confirm that you have read the Licence Agreement and taken a backup, select both check boxes then click Next. The Select Company page appears.
g) From the Datapath drop-down list, choose the required company. The company name appears.
h) Enter the password for the MANAGER logon, then click Next.

i) Complete the Edit VAT Rates window as follows:
   Select the relevant check box for the tax code that you want to update.
   Enter the new rate for the relevant tax code then click Next.
   For example, to change T1 to 15%, enter 15 in the New Rate column for T1. The Select Inv/Orders page appears listing the relevant items that use the tax code you selected.
j) Select the items that you want to recalculate then click Next. The progress bar appears and when the process is complete, the View Report page appears. This shows all of the items that have been updated and includes the original and updated VAT amounts.
k) To close the Sage 50 Accounts VAT Change Wizard, click Finish.

5. Check that the utility has changed the GST rates as expected.
6. Check and then Backup your data (another one won't hurt, label it "after GST rate change")
7. Make sure all users are aware of the changes and requirements, and let them back into Sage.

From 1st October 2010 (or when you start processing October transactions) until you run your September GST Return.
1. All October Sales Invoices should be created as normal with tax code T1 at 15%. An exception is when the IRD's "Specific Time of Supply Rules" apply. If these rules dictate a date that is earlier than 1st October then you should create the invoice using T3 and date it as per the rules.
2. Sales Credit Notes relating to pre rate change 12.5% sales invoices should be created using T3 and should be dated with their creation date. Mark these invoices with a very prominent note to the recipient showing that it is a 12.5% Credit Note relating to 12.5% Invoice Number ###.
3. Sales Credit Notes relating to post rate change 15% sales invoices should be created as normal and should be dated with their creation date.
4. Purchase transactions with 12.5% GST should be posted using T3. This will ensure that when you press F9 or the Calc Net button the Net and GST are calculated at the old rate.
5. Purchase transactions with 15% GST should be posted as normal.
6. Set a date to run your GST Return for the September period. Don't leave it to the last day!

On the day you run your September GST Return.
1. Check and Backup your Data (you still can't have too many backups).
2. Run the Adept GST Tax program, click on the Menu button, then Check for Updates.
3. Click on the Menu button, then select the Library option. Tick the boxes for the NZ Invoice Basis T3 and the NZ 15 Invoice Basis T3 (Use the scroll bar, they are at the bottom of the list and often hidden!).
4. Click on the Menu button, then select the Select Tax Form option. Choose the NZ Invoice Basis T3 form.
4. Set the start date to your GST period start date and the end date to 30/09/2010.
5. Press Calculate and check the results carefully.
6. When you are happy, print the form.
7. Press the Submit button and the Transactions used in the form will be marked as reconciled.
8. If your GST period ended on the 30/09/2010 transfer the figures on the form to your GST form as normal.
9. If your GST period spans the 01/10/2010 rate change transfer the figures on the form to the first section of your transitional GST form.

At your next GST period end (most likely Oct/Nov, due 15th January)
1. Check and Backup your Data (did I mention that you can't have too many backups?).
2. Start the Adept Tax program and Check for Updates.
3. Select the NZ 15 Invoice Basis T3 form.
4. Set the start date to 01/10/2010 and the end date to your GST period end date.
5. Press Calculate and check the results carefully.
6. Please note that transaction posted with T3 will be handled under the IRD's "Late Claim of GST" and "Credit and Debit Notes" rules. The GST component of these transactions will be included in the Adjustment boxes 9 and 13 and their Gross amounts will not be included in boxes 5 and 11 as this would result in the GST being accounted for twice.
7. When you are happy with the totals, print the form.
8. Press the Submit button and the Transactions used in the form will be marked as reconciled.
9. If your previous GST period ended on the 30/09/2010, transfer the figures on the form to your current GST form as normal. If your current GST period spanned the 01/10/2010 rate change, transfer the figures on the form to the second section of your transitional GST form.

GST Rate Change - Cash Payments Basis Only
(or Bean Counters' step-by-step guide for non-accountants of How to Survive the GST change)

The following should be done prior to 1st October 2010 (or prior to processing any October transactions).
1. Complete all despatches for Sales Orders.
2. Create and post all Sales Invoices.
3. Post all recurring entries due on or before 30th September 2010.
4. Post all bank entries to 30th September 2010.
5. Enter all good received for Purchase Orders.
6. Write off any bad debts that you are aware of, along with any supplier invoices you will never pay.
7. Post all September supplier invoices.
8. Refer to attached portion of IRD's rules for "Late claim of GST" and "Credit and Debit Notes".
9. Do not process any October transactions (yet).

The following should be done on 1st October 2010 (or when you want to start processing October transactions).
1. Tell all users to log out of Sage until they are advised that it is ok to log back in.
2. Check and then Backup your data.
3. Add the T3 tax code as follows: In Sage, go to Settings, Configuration, and select Tax Code tab. Highlight the T3 tax code and click on the Edit button. Change the rate from 0% to 12.5% and change the description to "Old 12.5% GST" and click on the [OK] button to save your changes. Do NOT edit the T1 code at this stage.
4. If you are on v13/2007 or above, install and run the appropriate Sage 50 Accounts VAT (GST) Utility - this will automatically update the T1 code to 15%. If you are on v11 or below, you must change the GST rates manually and go to step 6 (that's scarey, it almost sounds like an IRD form!)

What does the utility do?
This utility simplifies the changes required following the increase in the standard rate of GST. It helps you to update the GST values on the following:
- Invoices and credit notes.
- Sales orders and purchase orders.
- Quotes and proformas.
- Memorised and recurring invoices, credits and orders.*
- Bank recurring entries.*
* Not available for Sage 50 Accounts v13/2007. You should update these manually.

Installation Notes
This utility was written by Sage UK so there are references to VAT which should be thought of as GST. Before installing and running this utility, you must take at least one backup of your data. If you have already amended the GST rate for your standard rated tax code, you must change this back to 12.5% before continuing.
a) Download the appropriate utility for your Sage version.
   Sage v13/2007 http://www.adeptcom.co.uk/updates/v13/accounts2007_vatratechange.exe
   Sage v15/2009 http://www.adeptcom.co.uk/updates/v15/accounts2009_vatratechange.exe
   Sage v16/2010 http://www.adeptcom.co.uk/updates/v16/accounts2010_vatratechange.exe
b) Close Sage Accounts.
c) Locate and double-click the file that you have just downloaded.
d) On the Sage Software Update window, ensure the directory is your Sage 50 Accounts program directory, then click Yes. If the directory is incorrect, click No, browse to your Sage 50 Accounts program directory then click OK.
e) When the "program successfully updated" message appears, click OK. The Sage 50 Accounts VAT Change Wizard will appear.
f) To confirm that you have read the Licence Agreement and taken a backup, select both check boxes then click Next. The Select Company page appears.
g) From the Datapath drop-down list, choose the required company. The company name appears.
h) Enter the password for the MANAGER logon, then click Next.

i) Complete the Edit VAT Rates window as follows:
   Select the relevant check box for the tax code that you want to update.
   Enter the new rate for the relevant tax code then click Next.
   For example, to change T1 to 15%, enter 15 in the New Rate column for T1. The Select
   Inv/Orders page appears listing the relevant items that use the tax code you selected.
j) Select the items that you want to recalculate then click Next. The progress bar appears and
   when the process is complete, the View Report page appears. This shows all of the items that
   have been updated and includes the original and updated VAT amounts.
k) To close the Sage 50 Accounts VAT Change Wizard, click Finish.

5. Check that the utility has changed the GST rates as expected.
6. Check and then Backup your data (another one won't hurt, label it "after GST rate change")
7. Make sure all users are aware of the changes and requirements, and let them back into Sage.

From 1st October 2010 (or when you start processing October transactions) until you run your September GST Return.
1. All October Sales Invoices should be created as normal with tax code T1 at 15%.
2. Sales Receipts (SR), Purchase Payments (PP), Sales Refunds (SP), and Purchase Refunds (PR) should either:
   a) **NOT** be posted until after you have run your September Return and the GST105 report, or
   b) Be posted as a payment on account and not allocated until after you have run your September Return and the GST105.
3. Do **NOT** allocate any October Credit Notes to September or earlier transactions until you have submitted your GST return.
4. Do **NOT** allocate any outstanding September Credit Notes to 1st October or later transactions until you have submitted your GST Return.
   This (items 2-4) is to prevent the incorrect debtor and creditor amounts being used in the GST105 calculations. Your GST105 adjustment calculation sheet can be checked by printing the GST105 transaction report (see below). This will list all outstanding transactions that meet GST requirements as at 30/09/2010, and will exclude any later payments. If the GST105 return differs from the GST105 transaction report it is likely a payment or receipt has been entered and allocated against September or earlier invoices.
3. Sales Credit Notes relating to post rate change 15% sales invoices should be created as normal and should be dated with their creation date.
4. Purchase transactions with 12.5% GST should be posted using T1 and dated on or before 30/09/2010. You must manually calculate/enter the net and GST amounts. An alternative is to hold all September invoices until just before you run your GST Return, stop all other processing, change the T1 GST rate back to 12.5%, key all supplier invoices (allowing the use of the F9 key and Calculate Net button), then change GST Rate T1 back to 15%.
   The reason for not using T3 for these transactions is that Sage will not allow the allocation of T1 credit notes to T3 invoices so it is preferable to process using the T1 tax code.
5. Purchase transactions with 15% GST should be posted as normal.
6. Set a date to run your GST Return for the September period. Don't leave it to the last day!

On the day you run your September GST Return.
1. Make sure that you have allocated all payments on account and unallocated credit notes.
2. Check and Backup your Data (you still can't have too many backups).
3. Download, and then unzip, the GST 105 Transaction report from here:
   http://www.beancounters.co.nz/GSTChanges/NZGST105.zip
   Copy the report to the ..\Reports\Finance\My Finance Reports folder.
   If you are using Sage v15/2009 or higher with Windows the path to the above folder is:
       XP: C:\Documents and
   Settings\AllUsers\ApplicationData\Sage\Accounts\2009\company.000
       Vista or W7:   C:\ProgramData\Sage\Accounts\2009\company.000
   Otherwise use the Sage program installation folder or the company data path.
4. Run the report by going to Sage, Financials, Reports, My Finance Reports and selecting the NZ GST 105 Rate Change Adjustment Report. Use the start date as 01/01/1980, end date as 30/09/2010.Ensure there is a tick in the "Exclude later payments" box. Keep this report on file in case IRD wants to review the figures used in the GST 105 calculation sheet.

5. Run the Adept GST Tax program.
6. Click on the Menu button, then Check for Updates.
7. Click on the Menu button, then select the Select Tax Form option. Choose the NZ GST 105 form.
8. Set the start date to 01/01/1980 and the end date to 30/09/2010.
9. Press Calculate and check the results carefully. The figures should be the difference between unpaid supplier invoices meeting GST requirements and unpaid customer invoices meeting GST requirements, divided by 51.75. This enables completion of IRD's GST 105 form.
10. When you are happy, print the form. The total should be manually entered into box 9 or 13 when completing the GST Return.
11. Click on the Menu button, then select the Select Tax Form option. Choose the NZ PAYMENTS BASIS GST form.
12. Set the start date to your GST period start date and the end date to 30/09/2010.
13. Press Calculate and check the results carefully.
14. When you are happy, print the form.
15. Press the Submit button and the Transactions used in the form will be marked as reconciled.
16. If your GST period ended on the 30/09/2010 transfer the figures on the form to your GST form as normal.
17. If your GST period spans the 01/10/2010 rate change transfer the figures on the form to the first section of your transitional GST form.
18. If you key **ANY** further transactions with 12.5% GST you must date them prior to 01/10/2010 and **manually** account for them in future GST Returns.

After the September Return has been run and submitted
1. Sales Credit Notes and Purchase Credit Notes relating to pre rate change 12.5% invoices should be created using T3. Mark the sales invoices with a very prominent note to the recipient showing that it is a 12.5% Credit Note relating to 12.5% Invoice Number ###.
2. Purchase Invoices with 12.5% GST should be posted using T3.
3. IMPORTANT NOTE: Transactions posted with T3 will be handled under IRD's "Late Claim of GST" and Credit Notes" rules. The GST component of thes transactions will be included in the adjustment boxes 9 and 13 on the GST101 form, and their gross amounts will not be included in boxes 5 and 11 as this would result in the GST being accounted for twice.

At your next GST period end (most likely Oct/Nov, due 15th January)
1. Check and Backup your Data (did I mention that you can't have too many backups?).
2. Start the Adept Tax program and Check for Updates.
3. Select the NZ 15 Payments Basis T3 form.
4. Set the start date to 01/10/2010 and the end date to your GST period end date.
5. Press Calculate and check the results carefully.
6. When you are happy, print the form.
7. Press the Submit button and the transactions used in the form will be marked as reconciled.

What rate of GST do I use?

The GST rate you use depends on when the transaction occurs (the time of supply).

The time of supply is when the supplier issues an invoice or receives a payment, whichever happens first.

Note: If the time of supply is before 1 October 2010, the GST rate is 12.5%, even if the goods or services are not actually provided until after that date.

Special supplies

In some situations the time of supply can occur after an invoice is issued or payment is received. Below are the more common exceptions to time of supply. For more information on special supplies read Part 4 of our GST guide (IR 375).

Hire purchases

GST is accounted for in the taxable period that includes the date you signed the hire purchase agreement. If the hire purchase agreement is signed … the GST rate is …

on or before 30 September 2010 12.5%

on or after 1 October 2010 15%

Lay-bys

GST is accounted for in the taxable period that includes the date when ownership of the goods is passed—generally when the final payment is made. If the final payment is made … the GST rate is …

on or before 30 September 2010 12.5%

on or after 1 October 2010 15%

Rental or hire agreements

The time of supply for each instalment in a periodic payment or hire agreement is the earlier of the date payment is due or received. If a payment is due or received … the GST rate is …

on or before 30 September 2010 12.5%

on or after 1 October 2010 15%

Successive supplies or progress payments

Successive supplies or progress payments are goods or services that are supplied and paid for in stages.

The time of supply is the earliest of the date:

• the payment is due

• the payment is received

• an invoice is issued.

So, if any of the above took place on or before 30 September 2010, GST will be charged at 12.5%. From 1 October, GST will be charged at 15

Other adjustments and information

Late GST claims

If you're unable to claim GST for an expense during the period you paid for it (eg, you don't have a tax invoice), you may be able to claim it in a future period. Read our GST guide (IR 375) for more information.

If you're making a late claim after 1 October for an expense that shows GST at 12.5%, you'll need to complete Box 13 in the GST adjustments calculation sheet (IR 372) and transfer this amount to your GST return.

Note: Don't include the amount of the late claim as an expense on your GST return.

Credit and debit notes

If you issue or receive a credit or debit note, calculate GST at the rate that applied at the time of the original invoice.

If you issue or receive a credit or debit note after 1 October for an invoice where GST was charged at 12.5%, you'll need to complete a GST adjustments calculation sheet (IR 372).

Changing the use of an asset

If you use goods and services you bought for your business for private purposes, or use private goods and services in your business, you'll need to make an adjustment for any change in use. You'll also need to do this when goods or services bought for your business are used for making exempt supplies. When calculating the GST adjustment, use the GST rate that applied when the change of use took place, regardless of when you accounted for the adjustment. Or, if it's more convenient, you can make the adjustment at the new GST rate of 15%, even if the change of use happened before 1 October 2010.

Entertainment expenses

The time of supply and the GST adjustment for these expenses will be the earlier of when your income tax return for the period is due, or when it's filed for the income year you provided the entertainment. If this date is on or after 1 October 2010, the 15% GST rate will apply. You can choose the 12.5% rate for any expenditure incurred before 1 October 2010 if your records show that the expense was incurred before the GST rate change. You still make the GST adjustment in the GST return period that includes the earlier of when your income tax return is due or when it's filed.

Imported goods

The New Zealand Customs Service is responsible for collecting GST on goods imported into New Zealand. For more information go to www.customs.govt.nz Note: If you use the payments or hybrid basis you'll need to include any unpaid New Zealand Customs invoices issued before 1 October 2010 as a GST rate change adjustment.