

The **GST rate increases from 12.5% to 15% on 1 October 2010. As the transition date draws closer businesses need to consider the areas where there may be uncertainty about which rate is applicable and the practicalities of the transition GST return.**

■ ■ TIME OF SUPPLY

The Rules

The “time of supply” rules determine which rate will apply to a transaction. Generally the time of supply is the **earlier** of the invoice being **issued** or payment being made. It is not determined by when services are delivered nor the date of the invoice.

11 Day Period of Grace

For practical purposes there is a transitional provision that will allow invoices for goods and services supplied in September or earlier to be at 12.5% provided the invoice is dated in September **and issued** before the 11th October.

Difficult Areas

Transactions which spread over 30 September create special issues and a number of specific rules apply. Examples are:

- Sales of land
- Agreements for hire
- Construction contracts (eg. retentions withheld)
- Payment by instalment (eg. insurance, ACC, gym membership)
- Laybuy transactions
- Quoted work to be delivered after 1st October

If these affect you please contact us for assistance.

Ⓞ There are **650,000 GST registered entities in NZ**

Ⓞ **580,000 of these have return periods that end on 30th September**

Ⓞ **70,000 registered entities have return periods that straddle 30th September**

■ ■ DEADLINES

It will take longer to prepare a GST return that includes the September period. We urge you to allow sufficient time to complete the return before the due date.

■ ■ TRANSITIONAL GST RETURNS

Composite GST returns are required for those GST return periods that straddle 30th September. The composite return is due at your normal GST return period date. Composite returns include two parts involving:

- transactions to 30th September
- transactions from 1st October

The two part returns are consolidated to provide the GST refundable or payable for your usual GST return period.

■ ■ RATE CHANGE ADJUSTMENT

Every payment basis registered GST entity is required to calculate a GST rate change adjustment and complete a one-off form called GST106. The adjustment is calculated from a list of your debtors (those who owe you money) and creditors (those you owe money to) at 30th September.

Included with this newsletter is a form for you to complete and keep with your GST workpapers.

The rate change adjustment is calculated, and depending on whether it is a negative or positive amount, it is added to Box 9 or Box 13. The rate change adjustment form is not sent to the IRD.

The adjustment covers the difference between the 12.5% and 15% for amounts received or paid after 30th September and means all payments and receipts after 1st October are treated as if they were 15% transactions.

If you are on the invoice basis you are not required to prepare a rate change adjustment unless special circumstances apply.

■ ■ OTHER INFORMATION

The government has appointed a GST advisory panel which has had input into many of the practical aspects of the transition rules. The panel has a website, www.gstadvisory.govt.nz, and you can submit questions that will be answered by email.

The transitional return and rate change adjustment forms are not yet available. However we expect you will be able to view these in September and any GST updates at www.ird.govt.nz.

Debtors - People who owe you money at 30 September 2010

Creditors - People who you owe money to 30 September 2010

■ ■ HOW DOES THIS AFFECT YOU?

You prepare your GST manually

- Keep separate workpapers for payments and receipts pre 30 September and post 30th September.
- Determine your debtors and creditors as at 30th September and list these on the sheet provided.
- Complete the GST rate change GST(105) form and your September composite return.

Contact us for assistance on 03-4180020 or 03-4741394.

We prepare your GST

- Determine your debtors and creditors as at 30th September and list these on the sheet provided.
- Supply us with your records early in the month.
- If you code your own transactions on Banklink please note that the updates to the software will load automatically.

You prepare your GST using cashbook software

Cashbook users still need to prepare debtors and creditors lists and manually complete the GST rate change adjustment form (GST105). This will need to be added manually to your GST return.

Your supplier will have been in touch with you by now if you are on their maintenance or support contract. In general, cashbooks users will need to follow the steps below:

- Backup your data to a flash drive.
- If your GST period straddles 30th September, change the return period in the cashbook setup options to "monthly".
- Enter your transactions up until 30th September in the normal manner.
- Determine your debtors and creditors as at 30th September and list these on the sheets provided. Be careful to include items being paid by instalment such as insurance.
- Complete the GST rate change adjustment form.
- Print your GST return to 30th September.
- If your return period ends at 30th September complete the GST return adding the rate change adjustment to Box 9 or Box 13.
- Backup your data (separately to above) to a flash drive.
- **Update the GST rates in your cashbook settings to 15% (see the instructions in the blue box to the right).**
- Enter transactions for October and subsequent months.
- If your return period straddles 30th September print the monthly returns and collate these before completing the composite return. The months before and including September go on Part 1 of the return and the months from October go in Part 2. Include the rate change adjustment in Box 9 or 13.
- Reset your GST return period to its normal setting.

The rate change adjustment compensates for all transactions that are at 12.5% but dealt with by your cashbook at 15%. You should not override the GST for any transaction.

The following are the instructions for changing the rate in commonly used cashbook programs. The rate change should be made after all September payments and receipts have been keyed.

Accomplish CashManager Version 2010

Update the GST rate in "Setup | Options" to 15%. Respond "Yes" to the prompt about updating the charts for any account codes that have the old rate.

Accomplish CashManager Version 2009 or earlier

Update the GST rate in "Setup | Options" to 15%. You will then need to go to "Setup | Chart of Accounts" and update each individual code in the codelist to 15%. Respond "No" to the prompt about recalculating the GST component of all transactions in each account code.

This code by code update will be very time consuming and Accomplish's offer to upgrade from any old version to the 2010 version for the discounted price of \$250 + GST before 30 September should be given every consideration.

Quickbooks

Quickbooks users may need to upgrade depending on the current version they use. Please contact us to identify if you need to upgrade.

MYOB

MYOB users who use the GST return report in the system will need to upgrade their software.

Concept CashManager V5

Update the GST rate in "Setup | GST" to 15%. All codes will be updated automatically.

CRS CashManager Rural

Update the GST rate in "Setup | Business | GST" to 15%. All codes will be updated automatically.

Banklink Books

A free software update will be available in September. When the September data file is opened, the software will automatically update to the new version. No manual changes are required.

If you require assistance when updating your cashbook, or would like us to update it for you, please contact Aaron Lloyd on 03-4180020 or at aaron@shandthomson.co.nz.

Ⓞ The old GST fraction was 1/9

Ⓞ The new GST fraction is 3/23 (multiply by 3 and divide by 23)

Ⓞ The difference between 1/9 and 3/23 is 4/207