

GST Increase 1 October 2010

As you will be aware GST is set to rise from 12.5% to 15% from 1 October 2010. You will no longer be able to divide your GST inclusive figure by 9 to get the GST fraction. Instead use 3/23 i.e. multiply by 3 then divide by 23

Pricing

Will you increase your prices to reflect the rise in GST? You don't have to. You will need to consider what you gain by increasing prices by the GST increase and what you may lose. This will require a business decision on your part.



Electronic Processes

What needs updating in your computer software, cashbook programs, debtors programs, other electronic devices such as tills (do they have software that will need updating?)

Payroll changes - there are also tax changes happening on 1 October - have you sorted your software update?

Contracts for Sales and Purchases

If you have contracts for the purchase of services or goods the law allows these to be increased by the increase in GST even though they may be GST inclusive. Such contracts can only be increased by the GST and nothing else. This also applies to contracts for the sale of goods or services.

Banking

Bank all takings, empty vending machines. Bank as much as you can on or before 30 September as anything banked on or after 1 October will attract 15% GST.

Special Rules

Special rules apply for:

- Land transactions
- Finance Leases
- Lay-by sales
- Construction contracts

If you have any of these and you are unsure how they will be treated with the change in GST rate please contact us to discuss your particular issues and circumstances.

Rates

If you pay your rates for full year prior to 1 October then GST at 12.5%, if you pay any instalments after 1 October GST will be 15%.

Invoicing clients

To be able to charge 12.5% on September invoices the invoices need to have a September date and be sent out before 11 October.

Landlords

Issue new invoices for rent from 1 October to include the GST rate increase.

September GST Returns

All September GST returns will have a GST adjustment to allow for the change in GST rate. To do this adjustment you will need to make up a list of creditors (accounts you owe people) and debtors (accounts owed to you) as at 30 September. Creditors should include any ACC instalments unpaid as well as insurance instalments unless you have been notified by the insurance company of an increase in your instalment payment. Only creditors with September dates can be included and at this point in time we understand will not include CRT accounts as these are normally dated the first of the month. It is important to check all invoices for the date and the rate of GST charged on them. If you would like to look at how the GST rate adjustment will work for you, you can download a "GST rate change adjustment calculation sheet (GST 105)" from the IRD website (www.ird.govt.nz). You will receive one with your next GST return form as well. If your GST period does not finish on 30 September but 31 October or later, you will need to do two GST returns and add them together.



If we are preparing your GST returns we will take care of any transitional adjustments and returns and advise you of any additional information we may need. We're expecting an influx of client queries around the GST rate increase in October, so we'll be requesting your GST records much earlier.

If you are preparing your own GST returns we suggest that you get us to check your calculations to ensure any transitional adjustments have been correctly applied.