



Horton & Co Ltd

chartered accountants

GST RATE CHANGE 2010

As everyone will be well aware the GST rate is changing to 15% from 01st October 2010. There are a number of issues that you need to be aware of and the change will affect some of you more than others.

The following information is to give you a general outline of what is involved and to give you an idea of what questions you may need answering.

For more detailed information that is tailored to your business's needs you will need to contact us on **06 758 7562** or **0800 HORTON (467 866)**

BEFORE 1ST OCTOBER

- ∅ Make sure your accounting system is updated – you should receive updates from your provider prior to this date.
- ∅ Make sure any spreadsheets that you use for calculating GST are updated.
- ∅ Keep a record of your debtors and creditors as at 30th September 2010 (these figures are required for your transitional GST return).

FROM 1ST OCTOBER ONWARDS

- ✓ GST registered persons supplying goods or services will now need to charge 15% GST.
- ✓ Remember 'Time of Supply' all invoices issued before for goods or services before 1st October relate to 12.5%. All invoices that's relate to goods and services from 1st October onwards relates to 15%.

CALCULATIONS

With the current GST rate being 12.5%, calculating the GST component of a GST inclusive price was as simple as dividing by 9.

From the 1st October 2010, when the GST increases to 15% you will need to multiply by 3 then ÷ by 23.

For Example, lets assume the price of an item is \$1000 plus GST = \$1,150 inclusive of GST.

The GST component is $\$1,150 \times 3 \div 23 = \150 .

GST PERIODS SPANNING 1ST OCTOBER 2010

If your GST return period spans 1st October 2010 a special one-off transitional GST return with 3 parts will need to be completed (for example you have a two monthly GST return that covers 1st September – 31st October 2010).

- ✚ Part 1 – Complete GST return that covers 1st September 2010 – 30th September 2010.
- ✚ Part 2 – Complete GST return that covers 1st October 2010 – 31st October 2010.
- ✚ Part 3 – Total GST return covering Part 1 & Part 2.

Clients on payments basis

Will receive an extra form with your GST return called the **GST rate change adjustment calculation sheet**. This form is to be used to calculate any adjustments for goods and services supplied or purchased at the rate of 12.5% GST but due to being received or paid, therefore included in your GST return from 01 October onwards, will be accounted for at 15% GST.

Clients on invoice basis

Clients on invoice basis account for GST based on the date on an invoice. So all sales and purchases should be included in the GST return covering the month the invoices are issued ie: September invoices accounted for in September GST @ 12.5% return so no adjustment necessary.

If you are unsure of which GST basis you are on it is on the front of your GST form.

TIME TO RECONSIDER??

Clients who are registered on a voluntary basis, this is clients who have a annual turnover less than \$60,000 per annum; may decide that deregistering from GST before 1st October may be more desirable for them. Please contact us if this is something you want to consider.

For those clients who process their own GST, this is an opportunity for us to help you further, if you would like us to complete your GST returns for this period and onwards please contact us as soon as possible.

DISCLAIMER:

This publication is for general information only and is not intended to take the place of detailed professional advice that is appropriate for your situation.

CHECKLIST FOR RATE CHANGES':

Use this check list to make sure you are ready for the change.

- Have I updated my accounting software?
- Have I updated my spreadsheets & templates with the new rate?
- Am I ready to issue tax invoices with the new GST rate from 1st October?
- Can my Accounts payable system process tax invoices and credit notes at both 12.5% & 15%?
- If I am no longer in business, should I still be registered for GST?
- Have I updated my automatic payments?
- Have I changed the PAYE rates of my employees?
- Do I need assistance with this?
(if so please contact us)

