



GST 2010

How it affects your business
and what to do.



GST Changes

- Rate increases to 15% from 1 October
- Some businesses will have complex changes to administer
- We have a new tax fraction

Calculating the GST component

- Prior to the GST rate increase, to calculate the GST component in a GST inclusive price is as simple as dividing by 9
- When GST increases to 15%, you will now need to multiply by 3, then divide by 23

For example:

Price is \$1,000 plus GST, = \$1,150 incl GST
GST component is $\$1,150 \times 3 \div 23 = \150



Example of GST increase being passed on

Current price	Price from 1 October	Price increase
\$1,125	\$1,150	2.22%
Made up of: \$1000 (GST exclusive price)	Made up of: \$1000 (GST exclusive price)	Calculated as: \$25 / \$1,125
+ \$125 (GST)	+ \$150 (GST)	Not 2.5%



Marketing

1. Will sales have spiked prior to and then decrease after 1 October?
2. What will be the impact on your profit and your cash flow?



Pricing

1. What's your pricing strategy?
 - Absorb the GST in part or whole?
 - Pass on the GST rate increase?
 - Increase price beyond the GST rate hike?
2. Your strategy will depend on many things:
 - Your customers – GST registered or end consumers
 - Market factors – demand for your product/service
 - Your competition
3. You'll need to update all of your marketing, selling and website material
4. What's your plan for updating shelf and catalogue prices?

Contractual

1. Do customer contracts give you the ability to pass on the GST rate increase?
2. Do you have periodic supply agreements in place that span the GST rate increase?
3. What are your additional invoicing requirements?
- Any September invoices must be dated 30th Sept or before and prepared and posted prior to 11th Oct
4. Do you have goods for sale on lay by?
5. Do you collect a deposit as part of your trade terms? Will this need to increase?

Systems and Processes

1. Is it time for a health check of your GST systems?
2. There are a multitude of issues here. Just some include:
 - Issuing tax invoices, debit/credit notes at both old and new rates
 - Obtaining timely software updates
 - POS and till systems
 - A review of any internal spreadsheets and templates
 - Testing software and template updates for the new rate
 - Training your staff

GST rate adjustment

- From 1 October, for payments basis, GST will be claimed and returned using the 15% rate irrespective of when the supply occurred.
- To compensate, taxpayers on a cash basis will get an adjustment based on creditors and debtors as at 30 September

Transitional

- If your GST return spans 30th September (2 & 6 monthly filers)
- Need to do 2 returns
- One-off return
- Affected taxpayers automatically receive this
- If your return period finishes 30th September you have no transitional return

Transitional (cont)

You need to:

- Do a return to 30 Sept using 12.5%
- Calculate the adjustment for Debtors & Creditors
- Complete return from 1 Oct using 15% rate
- If you pay provisional tax and GST be extra careful.

GST rate change adjustment calculation sheet

What to do with your rate change adjustment

How to complete your GST rate change adjustment calculation sheet

Complete your rate change adjustment

Rate change calculation example



How To Do This Calculation

Work out your debtors (money owing to you) and creditors (money owed by you) that:

- Have a GST content and/or
- Are second hand goods

To calculate the adjustment:

$$\text{Creditors} - \text{Debtors} \div 51.75$$

$$(3/23 - 1/9 = 1/51.75)$$



Special Supplies

Hire Purchase

- on/before 30 Sept 12.5%
- on/after 1 Oct 15%

Laybys

If the final payment is:

- on/before 30 Sept 12.5%
- on/after 1 Oct 15%
- Different rules apply to Layby sales if the contract was in place at 20 May 2010.



Special Supplies (cont)

Finance Leases

- If entered into on/before 30 Sept and
- For a maximum period of 5 years then at 12.5%

Rates

Broadly speaking

- 12.5% on/before 30 Sept
- 15% if the instalment notice is issued on/after 1 Oct



Special Supplies (cont)

Debit/Credit notes

- Need to be careful to use the correct rate.
- GST calculated at the rate that applied at the time of the original invoice.



Software

- Can your software handle both the PAYE and GST rate change?
- Everest Vincent Excel Cashbook
- MYOB - Support Plan
- MYOB - No support plan
- Other Software
- Thinking of changing your software



Links

- <http://www.ird.govt.nz/changes/index.html>
- <http://www.everestvincent.co.nz/resources>
- <http://www.xero.com/>
- <http://nz.accomplishglobal.com/>
- <http://www.banklink.co.nz/>
- <http://myob.co.nz>



Having Trouble?

- If you are having trouble completing your return there are options.
- The IRD have indicated that if we contact them before the 28th they will extend the due date.
- We are happy to complete the return for you as a one-off.



Don't be depressed,
remember...

As David Lange
reputedly said... "Even
drug dealers pay GST"