

Essential Tax Changes Checklist

What you should be doing **NOW** >



✓ *Completed*

Update your accounting and payroll software	<ul style="list-style-type: none"><input type="checkbox"/> Get ready for the GST increase to 15% on 1 October – save yourself the hassle of working it out manually<input type="checkbox"/> You'll have to process invoices and credits/debits at both the old and new rates<input type="checkbox"/> Get your payroll up-to-date so you can pay your staff correctly – remember tax rates, ACC and Employer Super contributions change on 1 October too!
Decide how and when you are going to increase prices	<ul style="list-style-type: none"><input type="checkbox"/> Consider whether you want to absorb at least some of the increase for your customers<input type="checkbox"/> Pay particular attention to price sensitive items – could these be used as loss leaders?<input type="checkbox"/> Think about psychological price breaks – you may want to stay below these, or move up to a new one<input type="checkbox"/> Establish a rounding method for all your prices
Get your staff up-to-date	<ul style="list-style-type: none"><input type="checkbox"/> Make sure your staff are familiar with your new systems, prices and policies<input type="checkbox"/> Plan early if you will need any extra staff time to cope with the changes<input type="checkbox"/> Highlight changes to PAYE – and remind staff they will have to budget for the GST increase as well as a tax break
Communicate with your customers	<ul style="list-style-type: none"><input type="checkbox"/> Notify your customers well in advance of any price changes<input type="checkbox"/> Encourage customers to get in early and beat the GST rise<input type="checkbox"/> Update all your marketing collateral with new prices – including your website
Plan for changing customer behaviour	<ul style="list-style-type: none"><input type="checkbox"/> Be prepared for any peaks and slumps in activity before and after GST increases<input type="checkbox"/> Telling your customers about your pricing strategy may help balance this
Review your own suppliers	<ul style="list-style-type: none"><input type="checkbox"/> Are there any items you'd be better to buy before GST increases?<input type="checkbox"/> Check with your suppliers on their pricing policies<input type="checkbox"/> Do your budgets and cashflow forecasts cover any changes?
Take a look at your contracts and agreements	<ul style="list-style-type: none"><input type="checkbox"/> Do your arrangements allow you to account for GST changes?<input type="checkbox"/> If you need to make any updates – negotiate early<input type="checkbox"/> Does your lawyer need to look at anything? Get in early if they do

Get your accounts up-to-date

- To make a GST adjustment, you will need an accurate picture of your business at 30 September
- Enter all outstanding invoices and receipts
- Issue credit notes, collect debit notes and write off any bad debts
- Make a list of debtors (money owing to you) as at 30 September
- Make a list of creditors (money owing by you) as at 30 September
- Review any recurring transactions – especially automatic payments

Follow up any outstanding debtors

- Make any adjustment as easy as possible by following up customers who you are waiting on payment from
- This will also help cashflow – always a good thing – which might be even more important if the GST increase affects sales

Get help – and book it in early

- Talk through any issues with your accountant
 - Remember any business professional you use will be very busy over this time so arrange to meet them early
 - There are plenty of places to go for additional advice – try www.business.govt.nz and www.ird.govt.nz
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What to do **ON** 1 October

- If you haven't already updated your software you should do this now
- Change over to your new prices
- Start using the new GST rate and PAYE tax rates
- Apply the new GST rate to existing transactions that now use the new rate, such as outstanding laybys, orders and quotes

What to do **AFTER** 1 October

- If you report GST using the payments or hybrid basis, prepare your GST rate change adjustment
- If your GST reporting period spans 1 October, your GST return will be comprised of two sections
- Keep staff up-to-date with changes to PAYE, particularly as it concerns their salary and wages. Provide printed payslips if you don't do so normally

GST Changes



A summary of the GST changes as per the latest information available from the IRD

- The **GST Rate changes from 12.5% to 15%** on 1 October 2010. To calculate the GST inclusive amount multiply the GST exclusive amount by 115% (eg. $100 \times 1.15 = 115$). If you have the inclusive amount multiply it by 20 and divide by 23 to get the exclusive amount (e.g. $115 \times 20/23 = 100$). To calculate the GST on an inclusive amount multiply it by 3 then divide by 23 (e.g. $115 \times 3/23 = 15$).
- If your **GST return period spans September and October** the IRD will be sending out a one-off transitional GST return for the period.
- The IRD will send out a **GST rate change adjustment sheet** with your next GST return. An adjustment will be required for your accounts receivable (debtors) and accounts payable (creditors) if they are classed as 'qualifying supplies'. IRD define a 'qualifying supply' based on the GST method shown on your return as per the following.
 - **Payments (cash) accounting basis** – goods and services bought or sold and invoiced on or before 30th September where full payment has not been made by 30 September.
 - **Invoice (accrual) accounting basis** – only covers purchases of second-hand goods from a non-GST registered supplier on or before 30 September where payment hasn't been made by 30 September.
- It is **essential** that you compile a **detailed list of your debtors and creditors** as at 30 September 2010. The adjustment is to reflect the fact that you will account for GST on transactions at 15% from 1 October although they were invoiced at 12.5%. This will ensure you are not put at any disadvantage. Please don't hesitate to contact us if you feel you need help doing this.

You can find additional information on the IRD website - www.ird.govt.nz/changes/GST - and some good examples of the impact of GST changes on businesses and consumers.

Please do not hesitate to contact us if you require any further information or have any concerns.