

NEWSLETTER

**Getting ready for the GST
and Payroll changes 1
October 2010**



By now you will be aware of the GST rate increasing from 12.5% to 15% on 1 October 2010. This special newsletter outlines what you need to consider to ensure that you are prepared for the increase, if you are registered for GST.

Employers also need to be aware of tax changes effective from 1 October 2010.

Tax Changes Checklist

We recommend you work your way through a **Checklist** to assist in the change process.



We have attached one for you to use now.

GST Rate Change Adjustments

If your business is registered for GST on a payments basis, an adjustment will need to be made.

This is because payments made or received after 1 October 2010 will be accounted for on your GST return at the GST rate of 15%, even if the supply occurred before 1 October at the rate of 12.5%. The **GST rate change adjustment** (GST105) corrects this timing difference.

So that you are no worse off, it is important that you know what all of your outstanding Accounts Receivable (Debtors) and Accounts Payable (Creditors) amounts are as at 30 September 2010. This will be required to calculate the adjustment and include in your next GST return.

For more details check out www.ird.govt.nz/changes

Accounting Systems review

It's important you understand the implications of the GST rate increase on your accounting software system. There are many programs that have 'hard coded' GST rates in their reports so we highly recommend you look at an upgrade now. Software

providers are making the changes as easy as possible for their customers to implement with their latest versions due for release soon. You may also need to consider your hardware at this point as upgraded versions may require additional capacity.

What will happen if you don't upgrade?

In no way is it mandatory to upgrade. Although it may be a one off cost, purchasing an upgrade will make the necessary changes and remove a lot of the stress and headaches for you.

By not upgrading you could be out of pocket! There is potential to misreport the GST content of your transactions. Creating a new GST rate code or adjusting your existing one does not ensure your system reports will be correct. Also by doing workarounds you could be spending more time and money to get accurate results, as well as compromising any future upgrade.

We do not recommend relying on "workarounds".

MYOB Products – what will an upgrade cost?

We can arrange the following purchase of the product upgrade for you, or alternatively by joining a monthly or annual Business SUPPORT plan you will be guaranteed **all upgrades** available at no extra cost while on the plan. (Minimum 12 month subscription required).

Some examples of support plan pricing are

Product	Monthly plan (ex GST)	Annual plan (ex GST)
MYOB Accounting (AccountRight Standard)	\$29.55	\$354
MYOB Premier (AccountRight Premier)	\$39.25	\$470
MYOB Accounting Plus (incl Payroll) (AccountRight Plus incl Payroll)	\$48	\$577
MYOB Premier with Payroll (AccountRight Premier with Payroll)	\$51.75	\$621

We see the support plan as a good option for the above products, as MYOB will have another major product upgrade with many different and exciting features, due for release in 2011.

Please contact us if you have any other MYOB products that you want prices for.

Upgrade Schedule:

Current System(any version)	Upgrade to	Price (ex GST) [^]
MYOB Accounting	MYOB AccountRight Standard v19.5	\$229
MYOB Accounting Plus (incl Payroll)	MYOB AccountRight Plus v19.5	\$457
MYOB Premier	MYOB AccountRight Premier v19.5	\$399
MYOB Premier with Payroll	MYOB AccountRight Premier v19.5 with Payroll	\$568
MYOB Accounting Enterprise	MYOB AccountRight Premier Enterprise v19.5	\$399
MYOB Accounting Enterprise with Payroll	MYOB AccountRight Premier Enterprise v19.5 with Payroll	\$599
MYOB Cashbook	MYOB Cashbook v19.5	\$99
MYOB Business Basics	MYOB Business Basics v19.5	\$99
MYOB Payroll (stand alone)	MYOB Payroll v2001.3	\$199*
MYOB AccountEdge	MYOB AccountEdge v19.5	\$457

[^] Prices for downloaded versions only. Prices for CD version and installation costs are additional.

* if upgrading from current version 2010.1. All older versions price \$259

Other Products you may be using

Xero

- The default rate of 15% will automatically change at midnight on 30 September
- All recurring invoices after 30 September will be automatically set to 15%
- Rate change adjustments on your GST return will be automatically calculated
- All of your bank reconciliation rules are auto-updated and intelligently applied

We suggest if you are using Xero you need to have your data entry as up to date as possible **before 30 September (midnight)** as the default rate will be changed at that time.

Review this link for further details
<http://help.xero.com/#GSTandYou>

QuickBooks

- Making the change within your current software is more than likely not the easiest option.
- A patch will be released in September 2010, which will automatically update your software.

- Unfortunately this patch will only work on QuickBooks 2010/11 or QuickBooks Online software packages.

Banklink Books

- You will need to upgrade your version to be compatible with our practice version.
- Banklink will prompt you to update your software the first time you check your file after the rate change.
- We will liaise with you at this time.

Manual Systems

You may not be using an accounting software package, but managing your accounts with spreadsheets, manual cashbooks or similar.

Perhaps now is the time to consider a more automated approach. If you require further advice regarding an accounting system that's right for you, please contact your Client Manager at our office.

Employers & Payroll issues

New personal tax rates come into force on 1 October 2010. If you are an employer using a computerised payroll package you need to upgrade to the latest version.

If you process wages manually, you will need to ensure you are using the new PAYE tables with effect from 1 October.

IRD has advised that they will be writing direct to all employers in September. Any employer who does not use a tax agent or payroll intermediary will receive a copy of the new PAYE tables.

Other Useful Links

www.myob.co.nz/taxchange

Check out the **Tools & Downloads** area –it has a great pricing calculator to show the impact of the GST rate change to your prices, plus lots of other useful points

www.ird.govt.nz/changes

Updated PAYE / KiwiSaver calculator will be available from mid-September

More tips:

- Invoices for September supplies must be issued on or before 11 October 2010 and due within 60 days to meet the criteria for charging 12.5% GST
- For the 15% rate, to work out the GST content from a GST inclusive amount, multiply the inclusive amount by 3 / 23. (previously divided by 9)

TAX CHANGES CHECKLIST



What should I do Prior to 1 October 2010

Update your accounting and payroll software

- **MAKE SURE YOU DO A BACKUP BEFORE ANY UPGRADE**
- Get ready for the GST increase to 15% on 1 October – it's not that easy to work out manually
- You'll have to process invoices and credit/debits at both the old and new rates
- 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

- Consider whether you want to absorb at least some of the increase for your customers
- Pay particular attention to price sensitive items – could these be used as loss leaders?
- Think about psychological price breaks – you may want to stay below these, or move up to a new one
- Establish a rounding method for all your prices

Get your staff up to date

- Make sure your staff are familiar with your new systems, prices and policies
- Plan early if you will need any extra staff time to cope with the changes
- 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

- Notify your customers well in advance of any price changes
- Encourage customers to get in early and beat the GST rise
- Update all your marketing collateral with new prices – including your website

Plan for changing customer behaviour

- Be prepared for any peaks and slumps in activity before and after GST increases
- Telling your customers about your pricing strategy may help balance this

Review your own suppliers

- Are there any items you'd be better to buy before GST increases?
- Check with your suppliers on their pricing policies
- Do your budgets and cashflow forecasts cover any changes?

Take a look at your contracts and agreements

- Do your arrangements allow you to account for GST changes?
- If you need to make any updates – negotiate early
- 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 30th September
 - Enter all outstanding invoices and receipts as they happen
 - Issue credit notes, collect debit notes and review any potential bad debts
 - Review any recurring transactions - especially automatic payments
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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 if needed – and book it now

- Talk through any issues with your Ulrich & Kippenberger Client Manager, MYOB or other business advisor
- Remember any business professional you use will be very busy over this time – so arrange to meet them early

What should I do from 1 October 2010

- If you haven't already updated your accounting and payroll software, you will need to do this now
- Change over to your new prices
- Complete your list of outstanding Debtors and Creditors as at 30 September 2010 to be used for your rate change adjustment calculation – be sure to include ALL issued invoices
- 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 lay-bys, orders and quotes
- If you report GST using the payments or hybrid basis, prepare your GST rate change adjustment (GST105 form) to be included in your next GST return
- If your GST reporting period spans 1 October, you will need to complete a one-off GST transitional return that will split your supplies into two parts to account for GST at both the old and new rates (IRD will send this to you along with a guide to complete it)
- Keep staff up to date with changes to PAYE, particularly as it concerns their salary and wages. Provide printed pay slips if you don't do so normally

If you have any concerns, or would like to consider having Ulrich & Kippenberger review your GST returns (both pre and post GST changes) please contact one of our team for assistance

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