GST Rate Changes

Implementation Guide

For fdPOWER

Presented by

Full Circle Business Solutions Limited

Auckland: Phone 09 298-2927
Palmerston North: Phone 06 329-2927
Wellington: Phone 04 461-7172

Table of Contents

Summary 3
Disclaimer 4
Pre October 2010 5
Set-up 5
On or After 1 October 2010 7
When ready to process transactions dated October at the new GST Rates: 7

Summary

The aim of this document is to provide a breakdown of the required actions for all users of fdPOWER in transition from the 12.5% GST rate to new 15% GST rate effective 1 October 2010.

We have listed the required actions in chronological order of firstly, before 1 October and secondly, when you are ready to start processing transactions at the new rate (i.e. on 1 October or maybe a few days after that).

If you are invoicing your arrangement charges exclusive or exempt of GST then the changes are minimal. If you use GST inclusive charging then we suggest your charge's standard prices should be reviewed and updated. Full Circle has developed an export and import routine to assist with this if you require our assistance in updating this area. Note support charges will apply. Should you require our assistance you should contact your local Full Circle office and discuss the options for implementation and timing. That may just require some phone support, some remote dial up assistance or an on-site visit (or a combination of all three).

Please do not leave this until the last minute. There will only be so many hours in the day come late September and resources are finite in how many businesses can be attended to at a time.

Disclaimer

This document outlines the configuration and procedural changes that fdPOWER clients may need to incorporate into their processes for the GST rate increase. It is not a product specification document.

There may be legislation currently before parliament and this document may be subject to change if the legislation is amended. Intersoft Systems Limited and Full Circle Business Solutions Limited accept no responsibility for the accuracy of the contents of this document.

As software developers and support providers we base any changes in this area upon the information we receive directly from the Inland Revenue Department. However, it is recommended that independent consultation with a Tax professional is sought to ensure compliance with the new legislation on an individual basis.

Pre October 2010

Set-up

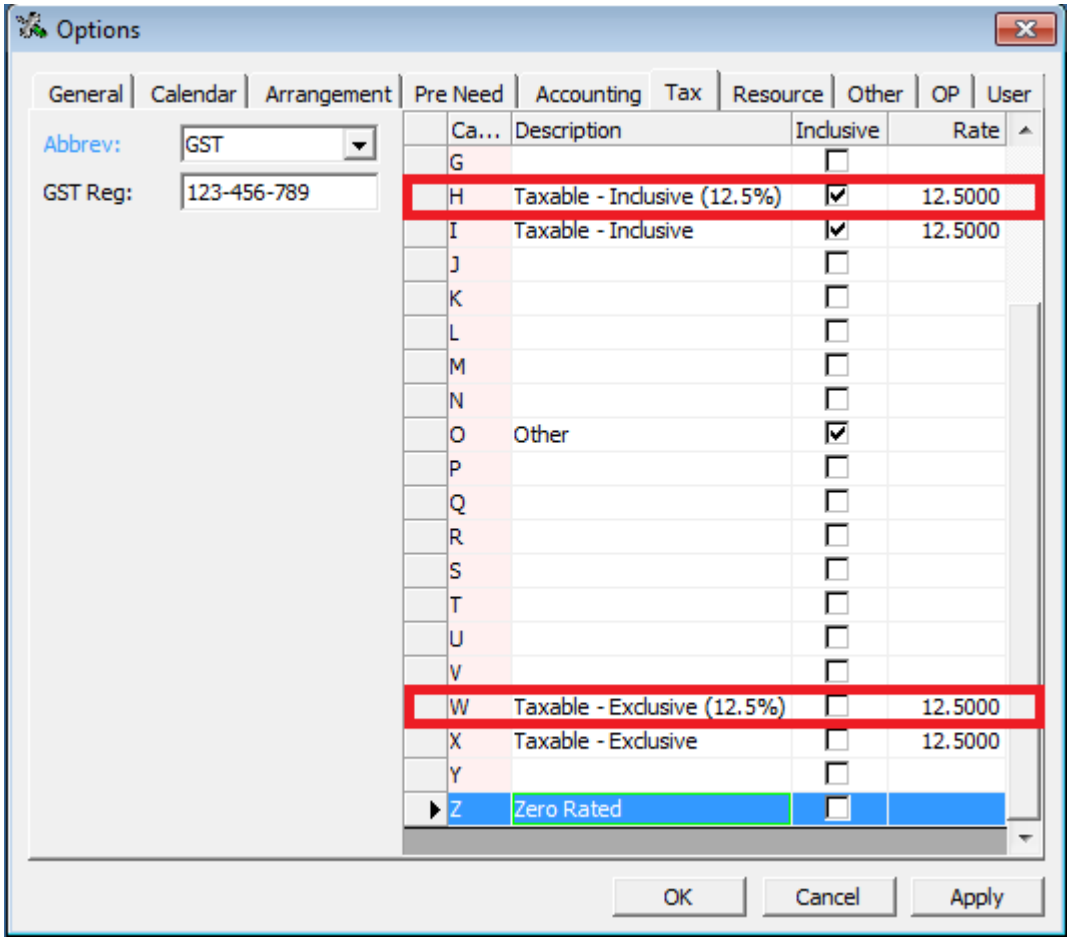
Normally the fdPOWER system can continue to process transactions over the month end without any holding of the new month's processing until the previous month end processing is completed. For the end of month as at 30 September 2010 it may pay to temporarily suspend processing of October transactions until a number of processes have been undertaken:

- Reimport all inclusive standard prices having already exported and reviewed these – see set-up issue 2 below
- Change the current I and X rates to 15% under Tools, Options on the Tax tab.

<u>Set-up Issue 1</u>

Set up the new tax categories H and W under Tools and Options on the Tax tab as in fig A to allow for the entry of invoices and credit notes at the old rate post 1 October – leave the existing I and X rates unchanged until you are ready to start processing transactions at the new 15% rate.

Fig A – new tax categories



Set-up Issue 2

Are you using the fdPOWER charge's standard price as inclusive of GST for Arrangement invoicing? If so then Full Circle will assist you to export the charges list to excel and calculate the new GST inclusive prices at the 15% GST rate. You can then review these prices and decide to accept the recalculated amount or edit the new inclusive amount to a more marketable value (e.g. a charge that is currently inclusive of GST at 12.5% of $1,250.00 will recalculate to $1,277.78 at 15%. You may wish to change that new standard price to $1,280.00 or $1,275.00). You can then review or adjust the pricing in excel before reimporting the updated prices (when you are ready to commence charging the new prices).

Set-up Issue 3

The following was announced by the IRD on 10/08/2010:

The issuing of tax invoices for pre-October supplies

The first issue relates to goods or services that are supplied on or before 30 September 2010 but for which the invoice is not issued until early October even though dated before 1 October 2010. Under the GST Act, it is the date when the invoice is issued that is relevant for determining the time of the supply, so these invoices could technically be considered subject to the higher rate even though the goods or services are provided, and the invoice dated, when the rate was 12.5%. Accordingly, for the GST rate transition, the proposal is that suppliers may treat tax invoices issued on or before **11 October 2010** for goods or services provided on or before 30 September 2010 as having been issued on the date of the invoice. This is provided that the invoice is dated on or before 30 September and payment is due no later than 60 days from the invoice date. A cut-off date of 11 October has been chosen to provide two weekends to send out invoices in relation to September supplies.

This means that businesses have up to 11 October to get their September arrangement invoices issued to their customers. Whilst most fdPOWER users meet that date every month, some smaller businesses who can take some time to get their invoices in the mail will need to be aware of this requirement.

On or After 1 October 2010

When ready to process transactions dated October at the new GST Rates:

Post set-up 1
Once the September period arrangement invoices and credit notes have been committed, Full Circle will run the utility to update the revised item sell prices for inclusive of GST items prices to update the sell prices.

Post set-up 2
Edit the Tools and Options and Tax tab to make the standard I and X rates 15.0% for GST for future invoices date 1 October onwards.

Post set-up 3
If a credit note is entered into the system that relates to an invoice entered with 12.5% GST then the charge items entered on the credit note will have to use the newly created H or W tax categories and not the usual I or X tax categories.