

Contact details:

PO Box 66
Leeston 7656

66 High Street
Leeston

T: 03 3243030
F: 03 3243034

office@lays.co.nz

Rolleston Square
Rolleston

T: 03 3474501

www.layassociates.co.nz

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Are you ready for 1 October 2010?

It's hard to send out a newsletter and not make a mention of the earthquake. Nearly one month on and it still dominates conversations.

All in all we have been pretty lucky considering the magnitude of the quake but things have certainly slowed, especially in retail. For most of our farming community however it's business as usual, and with the good work of electrical contractors and generators, most cows got milked without significant losses.

As with any such occasion there are always some positives and the tradies will most likely benefit over the next few years, but its the humour that keeps me going. I have heard of a lot of reasons as to why you should wear pyjamas to bed, or the benefits of drinking a bottle of port prior to an earthquake; but it's the students, once again, who were able to log into Geonet and play drinking games based on the severity of the after-shocks.

GST Changes

If you file GST returns on payments basis you will account for receipts and payments prior to 1 October at 12.5% and thereafter at 15%. However you will need to complete an adjustment to account for money not yet received or paid for invoices dated September, or earlier, that have a GST rate of 12.5%. We have provided worksheets to enable you to calculate the adjustment on our website. **Full instructions are available under the Newsletters & Forms tab of our website www.layassociates.co.nz**

It is preferable for you to use the excel version as this will automatically do the calculation for you. If you do not have access to Excel there is a PDF version available, for you to print off and complete. It is **imperative** that you keep a copy of your completed GST Rate Change Adjustment and forward it along with your Accounts Payable and Accounts Receivable worksheets to us as soon as they are completed.

This is your one chance to make this adjustment so it is imperative that you take care when completing the worksheet. If you receive your GST return form directly from the IRD there will have been a separate calculation sheet (GST105) included. We recommend that you complete our worksheet for your adjustment calculation as this will provide the information on your Debtors and Creditors, which we will need for your end of year financials.

If you are on invoice basis there is no need to make any one off adjustments.





GST Calculations

To calculate the GST component when the rate is 15% you will have to divide the GST inclusive figure by 7.666 to work out the GST portion. The IRD's preferred calculation method is to multiply by 3 and then divide by 23.

IRD Hoax Email

There are currently some hoax emails which claim to be from the IRD and ask you to click on a link to a fake website. DO NOT click on any links. Delete the message from your inbox. If in doubt contact us.

GST Changes...continued

When issuing credit or debit notes you'll need to make sure the GST rate is the same as the original tax invoice. If an invoice is issued or payment made for a supply prior to 1 October 2010, even if the goods are delivered or services provided on or after that date, then the rate of 12.5% will apply.

Time of Supply

The time of supply rule determines the rate of GST charged and is particularly relevant for contractual payments or payments by installment. This is a complex matter and can be quite confusing. Please call our office if you are in any doubt.

GST Transitional Returns

If your return period spans the rate change, eg your return is for September & October, you'll receive a one-off GST transitional return, so you'll be able to account for GST at both rates. You will still have to complete the GST change worksheet available on our website.

There are 2 parts to the transitional form, part 1 is for GST at the old rate of 12.5% and part 2 is for GST at the new rate of 15%. The two parts are then combined to calculate either your GST to pay or refund for that return period.

Wages and Payroll Changes

The new PAYE rates come into effect from 1 October 2010. This means you need to start using the new rates to calculate the correct amount of PAYE to deduct from employees' salary and wages for pay periods ending on or after 1 October 2010. The rates can be found on the IRD website. If you use a computerized wages system, make sure you have received an upgrade from your software supplier and installed it.

IRD Audit Activity Beefed Up

The Government has budgeted or increased funding of \$119 million to IRD to facilitate additional auditing of taxpayers and their business. In a recent announcement the IRD have said their audit activity will target the "hidden cash economy". With the increase in GST we expect there will also be greater scrutiny of GST returns. So take care when completing your GST returns.

Finally

Spare a thought for a client of Lay Associates who has a camera and digital shop located in Kaiapoi. Their store was largely unaffected by the shake and they were able to open soon after. One problem, the rest of Kaiapoi was effected, including other stores and the life of the town. Insurance doesn't cover this so if you are planning to buy camera equipment for Christmas then I suggest you give these people a call on 03-327-6563 or email them at kaiapoi@cameradigital.co.nz. I did last year and the service was fantastic. I even had product delivered to the door. Their product knowledge is great as are their prices. Just one small way you can help.