



GST CHANGES



GST Changes Effective of 01 October 2010 (New Zealand Clients Only)

As you may already be aware, changes to GST in New Zealand will be taking place on 01 October 2010. At this time GST will be rising from 12.5% to 15%.

In preparation, CFL will soon be releasing HAIRLINK^{SQL} Version 4.3, to cater for the new changes. Version 4.3 will be released from 9th August 2010 and users **MUST** be upgraded to this version by 17th September 2010. Upgrade requests after this date **WILL** incur a fee for professional time at CFL's standard hourly rate.

To help users prepare for the change over we have created a document that will highlight what changes are to come, how they affect your business, what actions are required by you, and what is possible to handle technically, and what is not.

The biggest issue that businesses will face throughout New Zealand is working out their GST obligations. Unlike standard accounting systems, HAIRLINK^{SQL} has some unique features that make it a little more complicated. Please review the document and talk to your accountant about implications. While Computer Fanatics Limited has sought professional accounting consultancy to make appropriate changes, it is not qualified to provide accounting advice to its clients and will not be in a position to reverse any transactions unless it is due to a program oversight.



NOTE For Hairlink Dos (HL1) Users: there will not be a software change. You will need to change the Tax level in your system set up after closing on 31 September 2010. To do this, go to Customisation > Global Master > Tax (Gst) > enter the new Gst rate in the "G.S.T. Rate" field.



Important Notes


Invoice Based GST

HAIRLINK^{SQL} clients using an **Invoice Based GST** system will be able to calculate GST easily provided proper planning has been put in place. This is possible as each and every debtor and cash sale invoice, and every Supplier invoice has a stored GST figure that can be tracked. The actual payment timing of the invoice on either side of the ledger is not particularly relevant.

Payment Based GST/Cash Based GST

(This is only applicable to businesses that have running accounts spanning over 3 months.)

Clients using **Payment Based GST** will have some issues that are very difficult, if not impossible to resolve on the debtors side of the ledger. This is because the payment of a debtor's balance is not allocated to any one invoice. This type of accounting is called the **Balance Carried Forward** method.

	NOTE: Accounts Payable (Creditors) in HAIRLINK ^{SQL} is <u>not</u> Balance Carried Forward accounting and GST calculation on that side of the Ledger should be fine
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The following example illustrates issues for the Accounts Receivables portion of the program as follows:

Basic Example: A bill is made up for \$500.00 and \$100.00 of that is paid when GST is 12.5%; the balance is charged. The balance of \$400.00 is then paid in the 15% GST period. Because an invoice is not able to be selected at the time of payment, there is no way to know which GST period the payment should be allocated to.

After consultation with accounting and programming experts, and reviewing internal database structures, we have come up with a solution on a "Best Effort" basis that will assist users with compliance.

While it seems impossible to work out Cash Based GST on the Accounts Receivables side, we will implement a mechanism that will work out the figures as accurately as possible for the first 3 months. We **Highly Recommend** that you seek professional advice from your Chartered Accountant as to how you will deal with this issue well before it becomes a problem. We simply cannot report on data that is not being captured – many other Balance Carried Forward accounting systems may well have the same problem. Please find an explanation of how the GST will be worked out for the first three months:

When Account Payments are made, the oldest balance is usually reduced by that amount. We have made changes to the program to track these.

So, after 01 October 2010 and before 01 November 2010, any account payments reducing balances in the 3, 2, and 1 month balance will be assumed to be at a 12.5% rate. After 01 November 2010 and before 01 December 2010, any account payments reducing balances in the 3 and 2 month balance will be assumed to be at a 12.5%



rate. Then finally, after 01 December 2010 and before 01 January 2011, any account payments reducing balances in the 3 month balance will be assumed to be at a 12.5% rate. After this 3 month period we can assume that invoices in the 15% GST period will have aged up to the 3 month balance and so there is no definitive way to track it from a HAIRLINK^{SQL} perspective.

GST rates used for Account Payments with Current, 1, 2 and 3 month balances				
	1 Oct to 31 Oct	1 Nov to 30 Nov	1 Dec to 31 Dec	1 Jan +
Current	15%	15%	15%	15%
1 Month	12.5%	15%	15%	15%
2 Month	12.5%	12.5%	15%	15%
3 Month	12.5%	12.5%	12.5%	15%

Again, we recommend that you speak to your accountant about alternative methods after this period ends. If you were able to clear all balances in the 90 day period, you may well have achieved a high degree of compliance. It is certainly an incentive to work hard and work pro-actively to clear all 3 month plus balances within your business. In any case, you **SHOULD** print out all aged account balances on paper at the end of each month, especially at the end of December 2010, at which point you will have a figure in the 3 month overdue column that you will know has a 12.5% GST component.

As an additional assistance, HAIRLINK^{SQL} will provide information on each month-end control report to assist you in that first three month period with GST figure breakdowns.



What Changes Will Be Introduced In the HAIRLINK^{SQL} Update

1. Setup option to allow new GST rate:

New GST change date: 01 October 2010

New GST rate: 15%

The new GST rates and the effective date can be found in the Setup from

Setup > Finance > Sell Tax and

Setup > Finance > Buy Tax

2. Product Price Changes:

When HAIRLINK^{SQL} is run from 1st October 2010 the application will display a popup window that will allow the user to perform the following tasks to cater for the new GST rate which will be applicable from 1st October 2010. Before the 1st October the User can manually select the option to update product prices from the Utilities menu.

- a. **Keep the current product Sell prices (inclusive GST)** - This option will result in reducing the GST exclusive prices to maintain the current sell prices inclusive of GST. For example, a product may have a pricing structure as shown below before update :

RRP Inc GST = \$112.50

Price Exc GST= \$100

The prices after update will be as follows:

RRP Inc GST = \$112.50

Price Exc GST= \$97.83

- b. **Increase the product prices by re-calculating the new GST rate** – This option will result in increasing the current product retail price inclusive of GST. For example, a product may have a pricing structure as shown below before update :

RRP Inc GST = \$112.50

Price Exc GST= \$100

The prices after update will be as follows:

RRP Inc GST = \$115

Price Exc GST= \$100

- c. **The user may choose to perform the above options later.** In this case, the above popup window will be displayed every time HAIRLINK^{SQL} is run on or after 01 October 2010.

3. Product search:

In the product search window, if the current date is 01 October 2010 or later, the new GST rate will be shown, otherwise the old GST rate will be shown.

**4. New Bills:**

If the date of the bill is 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used.

5. Unfinished bills:

When accessing unfinished bills on 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used. This means any unfinished bill with the old GST (i.e. all the bill items) will be reloaded with the new GST. You will **NOT** be able to finish an unfinished bill after 1 October with 12.5% GST.



BEST PRACTICE: We highly recommend that you **finish all bills** prior to 01 October 2010. Ideally there should be no unfinished bills in your system on 01 October 2010 except those that are created that day.

6. Clone bills:

If the current date is 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used irrespective of the GST rate on the selected existing bill to be cloned.

7. Reverse existing bill (Refunds):

The GST rate used on the selected existing bill will be used on the refund bill.

8. Quotes & Estimates:

If the date of the bill is 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used.

When converting a Quote or Estimate, if the current date is 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used.

9. Inward Goods:

If the "Sup Inv Date" of the creditor invoice is 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used.



BEST PRACTICE: We highly recommend that you enter all invoices prior to 01 October 2010.

10. Unfinished Inward Goods:

If the "Sup Inv Date" of the unfinished inward goods invoice is prior to 01 October 2010 and it is opened on 01 October 2010 or later, the option to load and save product prices from and to the inward goods invoice back to product record will not be available.



BEST PRACTICE: We highly recommend that you finish all invoices prior to 01 October 2010.

11. Refund of Inward Goods:

The GST rate used on the selected existing inward goods invoice will be used on the refund inwards goods invoice.

**12. Bulk billing:**

If the selected date for bulk billing is 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used.

13. Membership bills:

If the date of the bill is 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used.

14. Batch billing:

If the date of the batch bill is 01 October 2010 or later, the new GST rate will be used, otherwise the old GST rate will be used.



NOTE: It is expected that Inland Revenue will be releasing an updated GST form to cater for an “*Adjustment*” field. Once this is released the HAIRLINK^{SQL} form will be updated accordingly.



NOTE: Any "Post Fixes", where advice has not been followed, will incur charges without exception. Please call the helpdesk, with sufficient notice, to request / book an upgrade

For more information on new GST changes and calculations visit the IRD web site,
<http://www.ird.govt.nz/budget/gst/businesses/returns/>

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