



## **GST Increase 2010**

As you will be aware, the rate of GST will be increased from **12.5% to 15% as of 1 October 2010**.

Over the next couple of months (and beyond) we will be working hard to guide our clients through the various changes that need to be implemented as a result of the GST rate increase, some of them complex.

As always, taxation changes do present opportunities along with the usual challenges, so now is the time to consider those opportunities along with the raft of administrative changes for which you will need to plan.

### **Filing your GST returns**

Monthly, two-monthly or six-monthly GST returns that are filed for the period ending 30 September 2010 will use the 12.5% rate but you will need to use the new 15% rate from then on.

GST returns filed every two or six months may span the date of the GST rate change. In this case you will need to use the 12.5% rate for the period up to and including 30 September 2010, and the 15% rate for the period on or after 1 October 2010.

The IRD are developing a transitional GST return to cover the rate change and will be confirming in August how this should be recorded.

## ***GST Threats and Opportunities***

### **1. Registration Issues**

A small number of our clients are registered on a voluntary basis. For a few of those clients, deregistration from GST may be desirable before 1 October 2010. We will talk to affected clients about their options in the weeks to come.

### **2. Marketing & Sales**

Some clients may experience a spike in sales prior to 1 October. This was the case for many businesses back in 1989 in advance of the GST rate increasing from 10% to 12.5%. Conversely, demand may subsequently dip past 1 October.

### **3. Pricing**

How will you deal with the GST rate increase as part of your overall sales and pricing strategy? Will you pass on all of the GST increase, or will you fully or partially absorb the GST?

#### 4. Contractual Issues

This area is a minefield. We won't even attempt to go into detail in a newsletter! Just some of the issues you need to consider include:

- Do your customer contracts enable you to pass on the GST?
- Do you have periodic supply agreements in place that span the GST rate increase?
- What about goods on layby? You'll be up for GST at 15% on any balances from customers owing at 1 October
- Do you collect a deposit as part of your trade terms? If so, you may want to increase the deposit rate to avoid a negative cashflow impact.
- You will need to review your terms and conditions to ensure they are valid during and after the GST rate increase.

#### 5. Systems and Processes

- Maybe it's time for a complete health check of your GST systems?
- Can your accounting software issue tax invoices, debit and credit rates at both old and new rates?
- What changes will be required to POS and till technology?
- When will GST rate compliant software updates be sent to you from your suppliers and how will you test those updates to make sure the new rates calculate correctly?
- Do you have any internal excel spreadsheets or other templates where the GST rate is hard wired in? If so, each of these will need a careful review.

#### 6. Transitional Issues

- Businesses on the cash basis (that's most of our clients) will need to make an adjustment based on creditors and debtors as at 30 September in the GST return post the GST rate increase
- If your GST return period straddles 1 October, you'll need to complete a special one-off GST return as at 30 September

#### 7. And finally... What about the effect of all this on your Profit and Cashflow?

You need to consider all of the above. Some of you will benefit from re-doing your Budget and cashflow forecast for the current year.

### **What Next**

This publication is not intended to give you detailed and specific advice. It's more to raise your awareness of just some of the issues that surface as a result of the GST rate increase.\*

### **WGST Reviews**

We're available and we're well placed to provide clients with a comprehensive GST Rate Increase Review.

During this review we will systematically go through all of the issues likely to affect your business and from there we'll complete an Action Plan that ensures you complete the Key projects and tasks that need to be implemented.

If you believe that your business would benefit from a review then let us know and we will arrange a time to go through this with you.

**Let's start planning now for a successful increase to 15% GST.**

*\* This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of*